Austria ... Sch22	Indonesia ... Rp3100	Portugal ... Esc100
Bahrain ... Din0.650	Israel ... NS3.50	S.Arabia ... Rls6.00
Belgium ... BFr48	Italy ... L1600	Singapore ... S$4.10
Canada ... C$1.00	Japan ... Y600	Spain ... Pta125
Cyprus ... C£0.75	Jordan ... Fils500	Sri Lanka ... Rup30
Denmark ... DKr9.00	Kuwait ... Fils500	Sweden ... SKr8.00
Egypt ... E£2.25	Lebanon ... $L125.00	Switzerland. SFr2.20
Finland ... Fmk7.00	Luxembourg ... LFr48	Taiwan ... NT$85
France ... FFr6.50	Malaysia ... Rls4.25	Thailand ... Bht50
Germany ... DM2.20	Mexico ... Pes300	Tunisia ... Din0.800
Greece ... Dr200	Morocco ... Dh6.00	Turkey ... L500
Hong Kong ... HK$12	Netherlands ... Fl3.00	UAE ... Dh6.50
India ... Rup15	Norway ... Nkr8.00	USA ... $1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,340 Friday September 18 1987 D 8523 A

European Community's plan for a single market, Page 24

World News

Iraqis push back tank offensive by Iran

Iraq said it had repulsed an Iranian tank and artillery offensive in an 18-hour battle, while Iran threatened to shell Iraq's cities in reprisal for renewed air strikes. In New York the UN Security Council was meeting to discuss with Secretary General Javier Perez de Cuellar the results of his recent peace mission to the Gulf. Kuwait oil boost, page 6

Bangladesh flood fight

Troops were struggling to repair a leaking embankment on the Padma River which was threatening to flood the 250,000 population town of Rajshahi in northern Bangladesh.

Greek church talks

Prime Minister Andreas Papandreou and Archbishop Seraphim, head of the Greek Orthodox Church, agreed to set up a joint committee in an effort to end the crisis in church-state relations.

Sweden takes defector

Sweden ignored Soviet extradition pleas by granting political asylum to defector Roman Svistonov, who flew a stolen biplane across the Baltic.

Gotthard tunnel opens

Switzerland's main north-south motorway route through the Gotthard Tunnel was reopening for cars, but not trucks, after closure caused by flood damage.

Chirac peace appeal

French Prime Minister Jacques Chirac flew to New Caledonia where he offered reconciliation to separatists who lost the recent referendum on the Pacific island's status.

Polish workers protest

Some 300 factory workers in Wroclaw, south-west Poland, had signed a petition in support of two colleagues sacked for taking part in a Solidarity rally, opposition sources said.

Apartheid reform plan

South Africa's whites could keep their exclusive suburbs but less substantive relaxations of apartheid were proposed in a report by the President's Council, Pretoria's main advisory body.

Olympic mission

Head of the Olympic movement Juan Antonio Samaranch said he would meet Soviet leader Mikhail Gorbachev in an effort to forestall the threat of a Communist boycott of the 1988 Games in Seoul.

Indian protest deaths

Indian police killed at least 10 people when they fired on farmers demonstrating for drought relief in the southern state of Tamil Nadu.

Gadaffi scepticism

A declaration by Libyan leader Muammer Gadaffi that his war with Chad was over was unlikely to end the conflict, diplomats said. Page 6

Pope backs migrants

The Pope championed migrant farm workers in a speech at Monterey, California.

Managua optimism

Central America's five foreign ministers were optimistic when they began a meeting in Managua with officials from eight other Latin American countries and the UN to plan ways of monitoring a peace treaty for the region. Page 5

Arroyo goes

Philippines President Corazon Aquino accepted the resignation of controversial executive secretary Joker Arroyo. Page 6

Dial-a-drug foiled

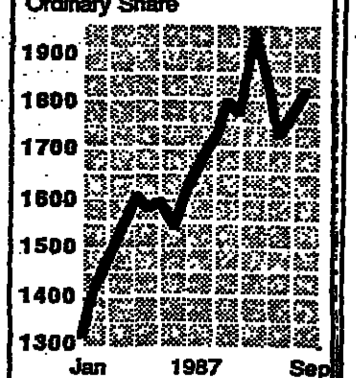
Dutch police said they had arrested a young couple who had advertised a soft drugs home delivery service modelled on American door-to-door pizza services.

Business Summary

Owens in plan to buy Brockway for $744m

OWENS-ILLINOIS, largest US glass container manufacturer which went private in February in a leveraged buyout, is to buy Brockway, second largest glass container supplier in the US, in a deal worth about $744m. Page 27

LONDON: Further positive economic signals spurred institutional investors and the FT-SE 100 index pierced the 2,300 level for the first time since August 5. It closed up 24.7 at 2,304.5 and the FT Ordinary was 21.8 higher at 1,812.0. Gilts also responded strongly. Details, Page 42



WALL STREET: the Dow Jones industrial average closed down 2.29 at 2,527.90. Page 48

TOKYO: Heavy trade in steelmakers pushed the sector higher but small-lot selling elsewhere left the Nikkei average 112.42 lower at 24,855.31. Page 48

GOLD rose in London to $460.50 from $458.50. In Zurich, it also rose to $460.25 from $458.50. Page 36

DOLLAR closed in New York at DM1.8165, Y143.40, FFr6.0555, SFr1.5060. It fell in London to DM1.8150 (DM1.8155) and Y143.35 (Y144.35), but was unchanged at SFr1.5055 and rose to FFr6.0550 (FFr6.0525). On Bank of England figures, the dollar's exchange rate index fell to 100.9 from 101.9. Page 37

STERLING closed in New York at $1.6470. It rose in London to $1.6465 ($1.6455) and FFr9.9700 (FFr9.9600). However, it fell to Y236.00 (Y237.50) and was unchanged at DM2.9875 and SFr2.4775. The pound's exchange rate index rose 0.1 to 73.2. Page 37

MCA, Los Angeles-based entertainment group, has examined the possibility of building a theme park in Europe at an estimated cost of over $500m, says Mr Charles Paul, vice president. Page 27

G HEILEMAN BREWING, fourth-largest US brewer, has rejected $1.2bn unsolicited takeover bid from Australia's Mr Alan Bond, brewing and resources magnate. Page 27

POWER CORPORATION of Canada, financial services and industrial group, is joining Imasco and other large companies in Sutter Hill Ventures, venture capital partnership investing in high technology firms mainly in the US. Page 27

GB-INNO-BM, Belgium's largest retailing group, saw six-month sales edge ahead to BFr63.8bn ($1.69bn). Page 28

EAST ASIATIC, international trading group, made a first-half pre-tax profit of DKr67m ($9.6m) compared with last year's DKr79m loss, and a profit for the whole of 1986 of DKr385m. Page 34

DASSAULT-BREGUET, French state-controlled aircraft manufacturer, saw profits slump by 90 per cent to FFr42.6m ($7m) for the first-half of 1987 on turnover of FFr6.57bn. Page 28

CREDIT Commercial de France, recently-privatised French banking group, made a net profit of FFr214.5m ($35.3m) in first-half of 1987 and expects a "satisfactory increase" in earnings for the year. Page 28

AKZO, Dutch chemicals and fibres group, confirmed it is selling its consumer products division to Sara Lee, major US consumer goods company, for Fl 1.25bn ($612m). Page 28

Soviet Union and US to hold talks on nuclear testing

BY ROBERT MAUTHNER AND STEWART FLEMING IN WASHINGTON

THE UNITED STATES and Soviet Union said late last night that they had reached an agreement to begin full-scale negotiations on nuclear testing before December 1.

The agreement was reached as Mr George Shultz, US Secretary of State and Mr Eduard Shevardnadze, the Soviet Foreign Minister, unexpectedly extended their three days of talks last night as they tried also to reach an accord abolishing intermediate-range nuclear forces (INF). Their three day meeting, which was originally scheduled to end at lunchtime and to be followed by separate press conferences, was apparently prolonged because of the good progress which was being made. "They are moving ahead on a whole range of issues," Mr Charles Redman, the US State Department spokesman, told reporters after announcing the extension of the meeting.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, was even more optimistic, remarking: "History is in the making".

All the signs were that the ministers had made even better progress than had been expected and that they would be able to announce at the end of the day that they had reached a broad agreement on the abolition of all medium-range missiles worldwide. Such an accord would be the first arms control agreement between the US and the Soviet Union since the conclusion of the SALT 2 agreement on the limitation of strategic nuclear weapons in 1979.

It is still uncertain, however, whether a date for a summit meeting between President Reagan and Mr Mikhail Gorbachev, the Soviet leader, at which an agreement on the abolition of intermediate range nuclear forces (INF) would be signed, will be made public at this juncture. It is more likely to be announced during the meeting of the United Nations General Assembly in New York next week.

The ministers began the last day of their meeting in a relaxed frame of mind. Mr Shevardnadze said: "We are beginning today in a good mood," while Mr Shultz said that he and his Soviet colleague had had "a lot of good discussions" of the proposed INF agreement and other issues on the agenda. These included a proposed agreement on reductions of longrange strategic nuclear arms, the limitation of nuclear tests, a proposed ban on chemical weapons, human rights problems and regional issues such as Afghanistan and the situation in the Gulf.

Among the problems for which the ministers are believed to have found a compromise formula was the Soviet demand that US controlled warheads on 72 West German Pershing 1A missiles shoud be eliminated at the same time as the missiles themselves.

Mr Helmut Kohl, the West German Chancellor, has already given an undertaking that his government would destroy its own missiles once the super power INF deal had been implemented, but the US had previously promised only that they would be withdrawn from Germany at the same time, but not necessarily destroyed. It had also argued that the INF negotiations were about missiles and not warheads. The White House as seen an intermediate range arms accord with Moscow as one way of boosting the President's prestige in the wake of the Iran /contra affair .Public opinion polls uniformly show that American voters favour arms control agreements with Moscow .

But even as the White House was preparing to welcome an accord the President suffered a setback to his arms control strategy on Capitol Hill.

The US Senate gave preliminary approval to a provision in the defence appropriations bill which would withold funds for the testing and development of space based weapons which violated hte original interpretation of the 1972 Anti-Ballistic Missile Treaty.

The Administration , in the face of strenuous opposition from Senator Sam Nunn , the powerful Democrat who chairs the committee,has been insisting that a broader interpeation of the ABM Treaty , one which would give it greater freedom to test elements of a strategic defence system ,is permissible .

The Soviet Union ,seeking to curb the development of the soc called +Star Wars+ Strategic Defence Initiative (SDI) has linked progress in the negotiations to reduce the number of strategic missile in the superpowers+ arsenals to US acceptance of curbs on SDI.

A hint the continuing tensions within the Administration of arms negotiations ,and of rumbling Pentagon discontent with the way the arms talks have evolved surfaced yesterday with reports that Pentagon officials have been shut out of some of the negotiations and given back seats at other meetings between the US and Soviet delegations during the three days of talks.

Honda announces 50% rise in US production

BY ANATOLE KALETSKY IN NEW YORK

HONDA, the third largest Japanese car manufacturer and already the biggest foreign car maker in the US, yesterday announced a 50 per cent expansion of its American production capacity and a precedent-setting plan to start exporting American-built cars to Japan by next year.

If yesterday's plans are achieved, Honda will not only be building some 500,000 cars a year in its Ohio plants by the end of the decade, but it could soon outstrip the American-owned motor manufacturers as an exporter of US goods.

The strategy, announced by Mr Tadashi Kume, Honda's president, calls for the export of 70,000 cars annually from the US by 1991. Although this figure includes Canada, as well as Japan and Europe, current Honda sales in Canada - around 50,000 - suggest that the company hopes to secure sales outside North America comparable to the targets recently set by Chrysler and Ford of some 10,000.

Honda has also promised to increase the local content of its US-assembled cars to 75 per cent by 1991, from its present level of 60 per cent, and to increase its production engineering, research and development spending in the US, to create what Mr Kume called a "self-reliant US car company".

The exporting strategy is part of a plan to increase Honda's production capacity in the US by a further 150,000 cars a year with the construction of a new assembly plant adjacent to the company's present facilities near Marysville, Ohio.

These are expected to produce 320,000 cars this year, rising to 360,000 in 1988, when the first Marysville plant will have reached full capacity. Honda said construction of the second assembly plant will cost $380m and will be completed by August, 1989.

In addition, Honda will also be spending $150m to expand its recently-completed engine factory which is situated nearby. The additional investment will bring total engine output to 500,000 units by about the end of the decade.

Honda officials said the company's objective was not just to supply the US market, where it was doing better in expanding its market share than any of its Japanese rivals, but to produce world-class competitiveness.

At present exchange rates and productivity levels, the unit costs for Honda's US-made cars are said to be comparable to Japanese-made models, but only after allowing for delivery costs of $500 a car.

Puttnam to leave top job with Columbia Pictures

BY ANATOLE KALETSKY IN NEW YORK

Mr David Puttnam, the British film producer unexpectedly hired by Coca-Cola last year to run its Columbia Pictures filmmaking subsidiary in Hollywood, is leaving the job and returning to independent film production.

Mr Puttnam's departure confirms that the imminent merger between Coca-Cola's entertainments businesses and Tri-Star Pictures will create a film studio firmly controlled by Mr Victor Kaufman, the present Tri-Star chairman.

When the merger was originally announced two weeks ago, it was stated that the film production businesses of Columbia and Tri-Star would continue to be operated separately, although Mr Kaufman would be chief executive of the combined holding company.

It now seems likely, however, that the two operations may eventually be integrated, creating the third biggest film studio in Hollywood, after Warner and Paramount.

Yesterday's announcement brings to an end a brief but stormy period at Columbia, where Mr Puttnam tried to wage a one-man campaign against what he saw as the waste and extravangance of Hollywood's traditional production values and star system.

He alienated several of Hollywood's most powerful and best known figures in the process, including Warren Beatty and Dustin Hoffman - co-stars of Columbia's disastrously unsuccessful comedy Ishtar - and Bill Cosby, America's most popular television comedian, who has switched an important production contract from Columbia to Warner Brothers.

Mr Puttnam has a contract under which he is obliged to return to Warner Brothers as an independent producer as soon as he relinquises management responsibilities at Columbia.

Puttnam exit stirs Coke's sceptics, Page 27

Luis Carlos Bresser Periera: serious negotiations

Brazil to present new debt plan to banks

By Anne Charters in Brasilia

BRAZIL plans to present a new formal debt proposal to its leading creditor banks at a meeting on September 25, just before the international financial community gathers in Washington for the annual meetings of the International Monetary Fund and the World Bank.

Mr Luiz Carlos Bresser Pereira, the Finance Minister, said the country would not lift its seven-month-old suspension of interest payments on $68bn of debt to banks. This was because it wanted to convince banks that they needed to be more innovative and serious in considering alternative proposals.

"Brazil wants a long-term solution to the debt problem that assures growth and price stability for the country, a reintegration into the international financial community and a reasonable solution for the banks," Mr Bresser Pereira said.

"The fact that we are going to negotiate seriously should be enough to prevent the banks from having to reclassify their loans," the minister said in a reference to the October deadline when US regulators may downgrade Brazilian loans, forcing new loan loss provisions.

Mr Fernando Milliet, president of the central bank, and Mr Fernao Bracher, special adviser for debt and a former central bank president, will negotiate with the banks for better conditions than those contained in debt agreements with Mexico, Argentina and the Philippines.

Mr Bresser Pereira ruled out a short-term route in which Brazil would raise an interim bank loan in order to repay interest arrears.

Interview, Page 5. World Bank report, Page 2

Hill Samuel rejects offer from Saatchi

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

HILL SAMUEL, the troubled UK merchant bank, said yesterday that it had received a takeover approach from Saatchi & Saatchi, the advertising and business services group, but had turned it down.

The talks, which were initiated last Friday, ended shortly before lunchtime yesterday.

A spokesman for Hill Samuel said that the terms being offered by Saatchi were not acceptable and that the takeover proposal lacked commercial advantage. He declined to say what the terms were.

This is the first publicly confirmed bid approach received by Hill Samuel, which has been beleaguered since the collapse of its merger talks with Union Bank of Switzerland last month. It is also the second known approach by Saatchi to a UK bank in the last few days. At the weekend it confirmed that it had contemplated an offer for the Midland Bank.

Saatchi was represented at yesterday's meeting by Mr Maurice Saatchi, one of the company's co-founder brothers. He met Sir Robert Clark, the chairman, and Mr David Davies, Hill Samuel's new chief executive.

It is understood that he offered to buy the entire group, and mentioned a possible purchase price. He also guaranteed to protect the independence of Hill Samuel within the Saatchi group if the bid was successful.

The Hill Samuel spokesman said last night that no other merger discussions were under way. However, speculation continued to surround Hill Samuel's shares in the stock market, where they ended the day with a gain of 7p at 664p.

Mr Davies has completed a strategic plan for Hill Samuel which he presented to the board earlier this week. The spokesman said that the board had approved the plan, and Mr Davies was now working on it.

Clay Harris adds: By last night, Saatchi had not made any statement about Hill Samuel. Earlier this week, Saatchi said that it was in discussions about possible takeovers - or other forms of partnership - with a number of British financial services companies, which it declined to name.

Management: Page 8

Marshall Field to get $110m facelift

BY NICK BUNKER IN LONDON

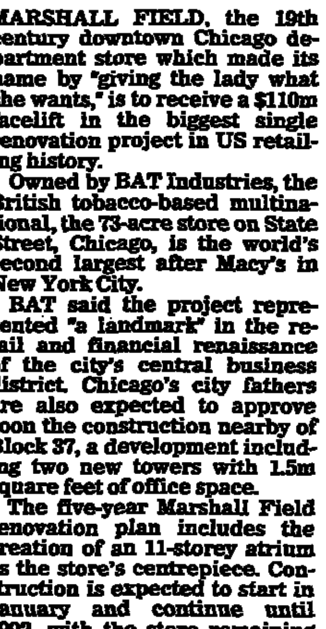
MARSHALL FIELD, the 19th century downtown Chicago department store which made its name by "giving the lady what she wants," is to receive a $110m facelift in the biggest single renovation project in US retailing history.

Owned by BAT Industries, the British tobacco-based multinational, the 73-acre store on State Street, Chicago, is the world's second largest after Macy's in New York City.

BAT said the project represented "a landmark" in the retail and financial renaissance of the city's central business district. Chicago's city fathers are also expected to approve soon the construction nearby of Block 37, a development including two new towers with 1.5m square feet of office space.

The five-year Marshall Field renovation plan includes the creation of an 11-storey atrium as the store's centrepiece. Construction is expected to start in January and continue until 1992, with the store remaining open during the work.

The project has been designed by Hambrecht Terrell



International, a US retail design consultant whose other clients include Bloomingdale's, Macy's and Calvin Klein.

It will be the biggest so far of

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CONTENTS

JORDAN IS FORCED INTO UNACCUSTOMED ECONOMIC AUSTERITY

Prime Minister Zeid al Rifai insists the country is in "very sound shape", Page 6

Bonn foresees higher budget deficit

BY DAVID MARSH IN BONN

THE West German Government, facing lower tax revenues as a result of a sluggish economy, has admitted that the federal budget deficit this year is likely to be DM 29bn (£9.75bn), DM 3bn more than announced only last week.

At the same time, Mr Hans Tietmayer, state secretary at the Finance Ministry, has conceded that the Government has a "credibility problem" in trying to restrain budget expenditure and deficits in coming years.

The DM 29bn deficit foreseen this year compares with the DM 22.3bn projected in the spring and the figure of DM 26bn given by Mr Gerhard Stoltenberg, the Finance Minister, in the Bundestag last week.

The Bundesbank, the central bank, in its latest annual report published today, also focuses on growing public sector deficits.

The borrowing requirement of central, state and local governments, planned originally to fall slightly this year from last year's DM 43bn, in fact looks likely to grow by around DM 10bn, the Bundesbank says.

It blames faltering receipts, above all from taxes, as well as relatively high spending growth. Although the central government will probably keep its rise in spending to the 2.5 per cent foreseen in budgetary plans, the Laender (states) are likely to increase expenditure beyond the 3 per cent originally planned.

The centre-right Government has already run into criticism from its own business and conservative supporters over plans for a further increase in deficits in coming years as a result of tax cuts planned in 1988 and 190.

According to projections published during the summer, the federal deficit was expected to grow to DM 31bn by 1990, with the overall government shortfall foreseen rising to DM 65bn in that year. Both these figures now seem considerable under-estimates, assuming that the Government's 1990 tax-cutting plans—which still have to go through a lengthy political consultation process—actually go ahead.

The Berlin-based German Economic Institute, meanwhile has delivered a stiff warning against any government plans to cut expenditure to try to limit increases in budget deficits in coming years.

Labelling such a policy "short-tighted," the institute says in its latest report that European budgetary policies need to turn expansionary to try to head off the danger of a world downturn caused by a possible recession in the US.

West Germans spend more and save less

BY ANDREW FISHER IN FRANKFURT

WEST GERMANS are spending more on goods and holidays abroad and saving less, a trend which could lead to a steady reduction of Germany's high surpluses, according to the latest monthly report of the Bundesbank.

With private consumption up strongly again this year—retail turnover was 4.5 per cent higher in July than the same month of 1986—private savings fell by a tenth in the second quarter over the first quarter.

Germans saved, on average, 13 per cent of their disposable incomes against 14.5 per cent a year ago, the report said. Both figures are seasonally adjusted. They also took out 20 per cent more long-term bank credits than a year ago, mainly to finance new cars. But short-term borrowings and overdrafts were down.

Car makers and retailers profited from the greater readiness of Germans to spend, with new registrations for private use up by 7 per cent in the April-July period over last year. The volume of spending probably rose much more than unit sales, with higher prices for better equipped models.

Also benefiting fro mthe rise in private consumption were textiles, clothing and shoes, furniture and furnishings.

Foreign holiday spending soared, the Bundesbank said. It was up by 12 per cent in April-July over the same period of 1986. Overall, disposable incomes were 3.5 per cent higher in the second quarter than in the year-ago period.

Noting that exports were moving ahead again after earlier weakness caused by the strong D-mark, the central bank said it was desirable that a cut in surpluses came through increasing sales abroad being offset by a faster rise in imports as domestic demand strengthened.

So far, the current account surplus has hardly changed, despite the D-mark's advance. In May-July, Germany's current account surplus was a seasonally adjusted DM 20bn (£6.7bn) the same as the previous three months' averageand DM 1.5bn over the same period of 1986. But the Bundesbank said the trend to lower surpluses should be resumed, as imports rose in volume and price.

Hungarian democracy call gains support

By Leslie Colitt in Budapest

An "Open Letter" to the Hungarian Parliament, calling for the Communist Government to be made "responsible" to the legislature, yesterday gained its most prominent and crucial supporters.

Mr Rezso Nyers, the father of Hungary's economic reform, said he agreed with the need for parliamentary "control" of the one-party Government. Mr Nyers, a member of both the party's central committee and parliament said a system of "political democracy" must be created in place of the present one.

"In the distant future," he said Hungary should have a "multi-party system as in the West." But the immediate goal was to achieve the greatest degree of "pluralism" in a one party system.

Mr Nyers spoke in an interview yesterday at the Hungarian Parliament which debated the Government's austerity programme to deal with a worsening economic situation. On Wednesday he was given a sustained ovation by fellow deputies when he urged a reform of economic planning in which "counter or alternative plans" would be drawn up by non-government economists.

The "open letter to Parliament" meanwhile, was surreptitiously circulated by deputies to those who had not yet received it in the mail. Signed by 100 mainly white collar workers including several officials and party members, it was an ambitious challenge to the Communist Party and Government, in line with calls in recent months for the liberalisation of the media and wholesale reform of the economy and political system.

While asking deputies to demand a greater role for Parliament, the letter also said they should call for freedom of the press, guarantees for personal freedom, "market control" of most economic activities and equal opportunities for the state and private sectors of the economy.

The most senior official to sign the "open letter" was Mr Laszlo Antal, director of a finance ministry research institute which has recently called for far-reaching economic, and political reforms in Hungary. Other signatories included economists, sociologists, historians and film-makers, such as Mr Miklos Jancso, one of Hungary's best known directors. Fewer than 20 of the signatories were political dissidents.

Mr Ferenc Koszeg, an opposition historian who helped draft the "open letter" said it could have gained 300 signatures but that this was not the aim. Its greatest weakness he said was the lack of company managers among the signatories. "We do not yet have the connections," he admitted.

The ornate Hungarian Parliament yesterday was again shaken out of its customary torpor. Mrs Erika Szitesa, a non-communist deputy, chastised the Government for allegedly setting aside an unaccounted chunk of the current budget to pay off last year's deficit.

Mrs Szites, a doctor, said she could not vote for the austerity programme unless the Government made several changes. The austerity Bill however was expected to be adopted yesterday evening despite some opposition votes.

Communist reformer may run for French presidency

BY PAUL BETTS IN PARIS

MR PIERRE JUQUIN, leader of the reformers in the French Communist Party, is expected to announce next month his decision to run in the presidential election next year.

This would embarrass and anger many in the party, which has already picked its presidential candidate and is struggling to halt its electoral decline. Mr Juquin, who resigned from the party's central committee last summer, would directly challenge Mr André Lajoinie, the official Communist candidate, seen by many as the chosen successor of Mr Georges Marchais, the party's secretary-general.

During the past two years, Mr Juquin has led the dissident movement of the "renovators" in the party, which is campaigning for a shift from the party's traditional hardline Moscow-oriented policies. The Communist leaders have made every effort to silence the dissidents and have vehemently opposed the intended shift, by which the party might reclaim some popular appeal by becoming more democratic in its internal structures and more in tune with the recent social and economic evolutions in France.

Mr Juquin plans to seek the support of not only discontented Communist voters but also of adherents of such smaller movements of the far left as the Unified Socialist Party, plus the greens, and voters of Arab and immigrant origin. Minority ethnic communities in France are worried by the attitude and electoral prospects of the National Front.

Mr Jean-Marie Le Pen, its leader, is expected to win 10 to 15 per cent of the national vote.

Jrquin: unofficial candidate

However, his advance could be undermined by what appears to have been a big political blunder this week when he suggested that the Nazi gas chambers were only a "detail of history." This provoked a political storm, condemnation by all the main parties and a demonstration outside the National Assembly yesterday to seek the lifting of Mr Le Pen's parliamentary immunity.

Mr Juquin is hoping to gain about 5 per cent of the vote, or at least to do as well as the official Communist candidate. His gamble in deciding to run against the official candidate seems part of the drive for change in the party. If he were to mount a viable challenge to the official candidate, the traditional hardliners in the party might well have to reassess their attitude to internal reform.

Carrington puts stress on US role in Europe

By David Buchan

THE IMMINENT accord by the superpowers to scrap their Euro missiles will "change the landscape of European security," but should not weaken the US commitment to defend Western Europe, Lord Carrington, the Nato secretary general said yesterday.

"Flesh and blood," said Lord Carrington referring to the 326,000 US troops stationed in Europe, "count for more than abstract deterrent concepts." At the same time, he said, the Intermediate Nuclear Forces treaty discussed by US and Soviet foreign ministers in Washington this week would leave Europe "less nuclear, but not de-nuclearised." Retention of some nuclear weapons remained key to Nato strategy, he said.

Speaking to the Royal Institute of International Affairs in London, Lord Carrington appeared to be launching a bid to use his last year in office as Nato's most senior official to ease Western Europe's transition to a post-INF treaty world.

On the one hand, he sought to reassure European conservatives, in government and in uniform, that removal of some 300 US Pershing and cruise missiles in an INF accord would not lead down "the slippery slope of de-coupling" the US from Europe.

Carrington: "Flesh and blood"

There was, he said, "no special magic" about INF forces. Nato had operated its flexible response strategy before the INF missiles started arriving in 1983, and could do so after they left.

On the other hand, he seemed to be warning Europe's arms control lobibes and peace movements against euphoria about "some mythical non-nuclear Nirvana." Nato needed, he said, to carry out its 1983 decision to upgrade short-range battlefield nuclear weapons, and partly so that West Germany be not be left as the sole depositary of all of Western Europe's remaining non-strategic nuclear firepower, nuclear-capable aircraft flown other countries such as Britain would become all the more important.

Lord Carrington recognised that relying more on the "flesh and blood" deterrent of US troops in Europe begged the question of whether the alliance could solve its burden-sharing arguments and whether Europe could persuade the US to maintain its troop presence by doing more in its own defence.

If Americans came to think their contribution was charity, then Nato was in trouble, he warned. "There is nothing more unlikely than the survival of Nato if it were felt by the North Americans that they were doing a favour to the Europeans out of friendship and good nature," he said. So far, US admiinstrations had firmly believed European security to be vital to US security.

Bofors faces fresh arms allegations

By Kevin Done in Stockholm

A SWEDISH peace organisation yesterday published fresh claims of attempted arms smuggling to Iran by Bofors, the Swedish weapons manufacturer and a subsidiary of Nobel Industries. The latest allegations concern the supply of field artillery systems (howitzers).

The Swedish Peace and Arbitration Association (SFSF), which has already played a central role in earlier revelations about Bofors weapons smuggling to the Middle East including the supply of Bofors RBS 70 ground to air missiles, yesterday revealed new allegations supplied from sources within Bofors.

According to these sources an order was placed with Bofors in September 1985 for the delivery of 18 howitzers to Singapore. One of the sources claims that the final destination was Iran.

Singapore has been shown in previous deals to have been used by Bofors as a transshipment point for the re-export of weapons to the Middle East, in order to circumvent Swedish arms exports regulations.

It is claimed by SFSF that the order was stopped by someone in the Swedish Government—possibly Mr Olof Palme, the then Swedish Prime Minister who was assassinated by a still unidentified gunman in Stockholm on February 28 last year.

According to the Bofors sources the Singapore order was freed later in 1986, but it is still unclear whether the artillery systems were in fact delivered.

The Swedish authorities and Bofors have hitherto denied any knowledge of such an order to Singapore. Yesterday it was confirmed, however, that Bofors had made a tender offer for 18 howitzers to Singapore in the summer of 1986.

Hanoi seeks ties with Brussels

BY WILLIAM DAWKINS IN BRUSSELS

VIETNAM YESTERDAY became the first non-European member of Comecon, the Soviet-dominated trading bloc, to seek diplomatic relations with the European Community.

Its request, in a letter from Vietnam Ambassador to France to Mr Jacques Delors, president of the European Commission, marks a potentially embarrassing diplomatic break from the Eastern European majority in the 10-nation grouping. The other non-European Comecon members are Cuba and Mongolia.

The EC has been discussing whether to establish formal relations with Comecon for the past two years and has been pressing to reinforce links with individual members rather than with the bloc as a whole. A previous round of talks broke down in 1981 because Comecon insisted on having group authority over bilateral trade, rather than letting its member states negotiate independently.

A Commission spokesman confirmed yesterday that Vietnam would be given an answer and that its request "would be treated separately from the rest of the political process with Comecon."

Brussels does not want to increase Comecon's powers to influence its members' economies by treating it as a single block, but many Comecon members are said to fear that the EC is aiming to get more favourable terms by dividing the organisation. The Community ran a $10bn trade deficit with East European Communist countries last year, mainly because of imports of Soviet raw materials and energy.

Hungary, Romania and Czechoslovakia have also started bilateral talks on trade and co-operation with the EC. The remaining members are the Soviet Union, Bulgaria, East Germany and Poland.

Gibraltar storm breaks on European Parliament

BY QUENTIN PEEL IN BRUSSELS

THE ANGLO-SPANISH dispute over the sovereignty of Gibraltar brought stormy scenes, embarrassment and dismay to the European Parliament in Strasbourg yesterday.

Sir Joshua Hassan, the Chief Minister of Gibraltar, was both the cause and the victim of the row which brought British and Spanish members of the Parliament into conflict, and has left the European Democratic Group, a conservative alliance of British, Spanish and Danish MEPs, licking its wounds.

Sir Joshua claimed yesterday that he had been humiliated by Lord Plumb, the president of the parliament, who changed the venue of their meeting from his own office at the last minute, apparently out of nervousness at the Spanish backlash.

The whole affair centred on the question of whether a visit by Sir Joshua to the Parliament, for the first time since Spain joined the EC, was actually an official or unofficial occassion.

If it was official, then Spanish members of the Alianza Popular, junior partners with the British Tories in the EDG, let it be known that they would

Hassan: says he was humiliated

probably quit the group in protest. There were also unseemly rows within the Socialist group, which contains major contingents from both Spain and the British Labour Party.

Sir Josuha was left seething for 35 minutes in the President's ante-chamber on Wednesday night, before being escorted to the new location in the residence of the British permanent representative to the Council of Europe. He refused to shake hands with Lord Plumb, refused to accept a drink, and stormed out of the meeting.

Bonn's EC nomination sparks row

By David Marsh

THE BONN Government's nomination of Mr Peter Schmidhuber, from the right-wing Bavarian Christian Social party, as one of West Germany's EC Commissioners, has run into strong protest from the opposition Social Democrats.

At the bidding of Mr Franz Josef Strauss, the CSU leader, Chancellor Helmut Kohl decided to put forward Mr Schmidhuber to replace the late Mr Alois Pfeiffer, one of Bonn's two Commissioners in Brussels, who died during the summer.

Mr Schmidhuber, 55, at present the Bavarian state government's official responsible for federal relations, is planned to take over Mr Pfeiffer's responsibilities for regional and labour policies and statistics.

Mr Hans-Jochen Vogel, the SPD chairman, said Mr Kohl's decision broke with the established tradition that one of Bonn's Commissioners come from the opposition.

Mr Karl-Heinz Narjes, the senior West German Commissioner responsible for industry, is a member of Mr Kohl's Christian Democratic party, and has often been fiercely criticised by the CSU, while Mr Pfeiffer, a former trade unionist, came from the SPD.

Balladur under attack for privatisation conduct

BY GEORGE GRAHAM IN PARIS

FRANCE'S RIGHT wing Government is coming under attack for its conduct of the programme to privatise 65 state sector companies—until now its least disputed political success.

Mr Edouard Balladur, the Finance Minister, yesterday reacted angrily to the accusations of Mr Pierre Joxe, parliamentary leader of the opposition Socialist Party, that a small group of people had "used the apparatus of the state to the profit private interests."

Mr Balladur, who has previously greeted criticisms of his privatisation techniques with equanimity, challenged Mr Joxe to back up his charges about the "scandal of the privatisations." Mr Joxe declined to meet the minister.

The Socialists have hitherto had little success in attacking the privatisation programme for selling off the family silver or for fixing too low a price for the companies to be sold. Supporters of Mr Raymond Barre, the rival to the right of Mr Jacques Chirac, the Prime Minister, have also criticised the Balladur's distribution of a "hard core" of stable shareholders. Mr Joxe and Mr Pierre Beregovoy, the former finance minister, now appear to have begun a concerted assault on the "cronyism" theme.

The dispute focusses on the "hard cores" of shareholders which Mr Balladur has selected ahead of the main public share offer for each of the main privatisations.

The minister recently defended himself against the charge that he had mainly placed his political allies in these hard cores. He claimed that so far 52 separate groups had received stakes in the hard cores, and that no group had received more than two stakes.

But Generale des Eaux, for example, the cash-rich leading French water supplier, has stakes in four of the newly privatised companies, while the new board of Havas, the advertising group privatised in May, looks like a roll-call of the friends and relations of Mr Balladur's RPR party.

Yesterday's nomination of Mr Ambroise Roux as future president of Generale Occidentale provided further ammunition for critics of the domination of the newly privatised companies by a "Balladur gang."

Mr Roux, president of Compagnie Generale des Eaux before its nationalisation in 1982, hired Mr Balladur to head one of the telephone group's subsidiaries in 1977. GCE, now restored to the private sector and chaired by a friend of Mr Chirac, in July bought the controlling stake in Generale Occidentale from Sir James Goldsmith.

Mr Balladur believes that it was necessary to create the hard cores in order to protect the newly floated companies from immediate takeovers.

Using "golden shares" to protect against undesirable raiders would only put off the problem by a few years, Mr Balladur believes, although he has created golden shares for a few companies, mainly in the defence sector.

Austrian arms charge man to be held

By Judy Dempsey

THE FORMER director of Noricum, the weapons division of Voest-Alpine, Austria's largest state-owned steel and engineering group which is under investigation for illegally selling arms to Iran is to be kept in detention for the foreseeable future.

Mr Peter Unterweger was detained a fortnight ago after police raided Noricum's premises and confiscated documents apparently related to the company's illegal trading activities with Iran in 1985 and 1986.

Developments took a bizarre turn this week when a Voest-Alpine spokesman said the company was continuing negotiations with Iran to build a factory which would include a weapons division. Selling weapons to countries at war and building factories exclusively for military use is strictly forbidden under Austrian law.

The Green Party has called for a full debate on the issue when parliament meets and has questioned the need for armaments factories in neutral Austria. The conservative People's Party says it wants parliament to be more informed about export activities of the arms manufacturers. The Socialist Party has ruled out any inquiry until investigations by the justice authorities in Linz, the headquarters of Voest-Alpine have first been completed.

Polish unions' demands

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S NEW trade unions have urged the Government to drop attempts to decentralise prices and incomes policy in favour of centralised wage bargaining backed by price controls designed to slow inflation.

The unions' policy is set out in article this week by Mr Leon Podkaminer, their top economic adviser, in the movement's newspaper, Zwiazkowiec.

It comes as the Government continues to debate the problem of how to deal with the country's chronic imbalance between supply and demand.

The Finance Ministry is pressing for big price increases next year to soak up excess demand while the Central National Bank is urging a slowing in the rise in the cost of living.

So far this year the average wage has grown by 21 per cent leaving the Government's attempts to impose a 12 per cent ceiling on pay this year in tatters.

Prices are also increasing in excess of 20 per cent. The unions, which now claim 7m members, are arguing that this is the main factor in pushing up wages.

The unions, in effect, want the Government to drop plans to decentralise wage decisions down to company level as well as free prices, all of which is in line with the official economic reform programme.

Sponsorship in arts urged

EUROPEAN culture ministers yesterday urged businesses to invest more money in the arts but warned that safeguards should be implemented to protect creativity and freedom of expression, Our Lisbon Correspondent writes.

Culture ministers from the 21-nation Council of Europe, meeting in the historic Portuguese town of Sintra for their fifth conferences, approved a series of resolutions to promote greater private sponsorship of the arts.

The ministers, apparently troubled by the thought of operat singers wearing company logos on their costumes, particularly emphaside the need to protect artistic integrity.

Goria's Gulf fleet hopes

BY JOHN WYLES IN ROME

MR GIOVANNI GORIA, the Italian Prime Minister, will be hoping for a public welcome for his Government's decision to send a naval taskforce to the Gulf when he meets Mrs Margaret Thatcher, the British Prime Minister, in Downing Street today.

Mr Goria and his colleagues have been distressed by the absence of any visible appreciation from leading allies for the Italian contribution to maintaining freedom of navigation

The eight-vessel task force set sail last Tuesday after an anxious farewell, not only from the relatives of the 1,200 crew members, but also from Italian politicians. The most notable exception was the Italian President, Francesco Cossiga, whose personal opinion of the venture is unknown but who failed to send the crews any message of

Ministers feel that allied governments have failed to understand and appreciate the political ordeal to which the five-party coalition subjected itself once it decided to send the task force.

Opposition came not only from the Communists and other points further to the left, but also from the Catholic world of charities and social organisations. This, in turn, was reflected within the dominant Christian Democratic party, most of whose members would be greatly relieved if any reasonable pretext could be found for recalling the small fleet.

Agnelli speaks on scandal

BY ALAN FRIEDMAN IN MILAN

MR GIANNI AGNELLI, the Fiat chairman, yesterday broke his silence on the Italian arms scandal which has seen the arrest of a close friend and business colleague—Mr Ferdinando Borletti—on charges concerning the clandestine shipment of mines to Iran.

Mr Borletti, released provisionally on Monday after ten days in prison, is chairman of Valsella Meccanotecnica, the Brescia arms company accused of involvement in the scandal. Valsella is 50 per cent owned by Fiat and Mr Borletti is on the main board.

Mr Agnelli said in Rome yesterday: "As far as the investigation by magistrates I obviously cannot interfere. What I can say is that I have known Borletti and his family all my life and have given our full confidence to them and also the management responsibility."

● Mr Giuseppe Santaniello, the Italian parliament's media watchdog, has told a parliamentary commission that the Fiat group is in violation of Italy's laws on press ownership because it controls both La Stampa, the Turin daily, and indirectly the Rizzoli group which publishes Milan's Corriere della Sera.

Albania and West Germany agree to establish diplomatic links

BY JUDY DEMPSEY IN VIENNA

ALBANIA and West Germany have formally agreed to establish diplomatic relations, signalling Albania's further opening to the West.

The announcement, made in the Albanian capital of Tirana and in Bonn earlier this week, follows years of negotiations between the two countries in Vienna.

One of the main obstacles to establishing relations centred on West Germany's unwillingness to pay war reparations. Diplomats in Vienna who have been following the negotiations said the question of reparations had been overcome, but could give no more details.

The establishment of relations with West Germany follows a recent spate of diplomatic activity by the Albanian Government. Last week, Albania established diplomatic relations with Canada. In August the Greek Government ended the state of war with Albania imposed 40 years ago, opening the way for a rapprochement. Tirana also recently established relations with Bolivia and Spain.

The cautious opening by this small Balkan country of 3m people to the outside world is largely due to the policies of Mr Ramiz Alia, the leader o fthe Albanian Communist Party. He succeeded Mr Enver Hoxha, who died in April 1985. After Mr Hoxha broke relations with the Soviet Union in the 1960s and with China in 1970s, the country moved into a period of isolation which has hampered economic development.

In a policy speech to the central committee in July, Mr Alia said that "our foreign policy, our development cannot be separated from the events in the world."

He then criticised the performance of some sectors of the economy, saying that export earnings were not high enough to buy necessary new technology to develop industry.

The establishment of relations with Bonn will give Albania greater access to markets. Mr Alia, however, insisted that the country's independence and political system would not be compromised by any foreign policy initiatives.

Meanwhile, negotiations to improve relations between Britain and Alania continue. Albania is unwilling to pay damages for British warships which were mined in the Corfu channel in 1946 and Britain refuses to return to Albania $70m worth of gold held since the war against the British claims.

Diplomats in Vienna say they are "a little more optimistic" about the future progress of these thalks now that the question of German war reparations has been settled.

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EUROPEAN NEWS

Norway blocks sale of missiles

NORWAY has rejected a request by state arms manufacturer Kongsberg Vaapenfabrikk (KV) – facing US anger over technology sales to Moscow – to sell missiles to four developing nations, government officials said yesterday, Reuter reports from Oslo.

Defence industry sources warned that the move could cripple sales of KV's Penguin short-range missiles, its most actively marketed product, and push the company closer to bankruptcy.

KV posted an NKr1.1bn ($165m) loss in the first half of 1987 and is being restructured to save its weapons division. The company had sought permission to sell the missiles to Venezuela, Singapore, Indonesia and Thailand.

"We turned down the application because we don't want to become a major weapons exporter – and the more we export the more difficult it is to ensure the weapons stay in the right hands," a Defence Ministry spokesman said.

Norway restricts the sale of military equipment to fellow members of Nato and the Organisation for Economic Co-operation and Development (OECD).

The Defence Ministry denied that the decision was linked to KV's 1982 and 1983 sales of computer gear, used on milling machines from a subsidiary of Toshiba of Japan, to Leningrad shipyards.

Washington defence experts have said the sales, in breach of Norwegian export law, damaged Western security by enabling the Soviets to make nearly-silent submarine propellers.

Norwegian police are investigating all KV exports to see if there have been other illegal sales.

The US navy is testing the Penguin missiles for use on helicopter gunships. The deal, if approved, could earn KV about $100m.

However, government and diplomatic sources in Oslo said a deal could be blocked by Congress. The Senate has already voted a punitive ban on all trading with KV and Toshiba.

Awacs scan Nato's borders with airborne electronics

SOARING above the barren mountains of central Norway, Nato radar operators scanned screens alive with tiny green blips in a constant search for unidentified aircraft penetrating allied airspace, Reuter reports from Oslo.

Oblivious to the bright light and high-pitched whining of computer consoles filling the plane, they were part of a 17-man crew on the first flight to carry reporters aboard a Nato Awacs-aircraft.

"Awacs (Airborne Early Warning and Control System) are one of the strongest cards held by the Western alliance in the age of electronic warfare," US Air Force Maj David Schmidt said.

They gather their information through sensitive electronics systems packed in an ungainly, mushroom-shaped dome perched just in front of the tail of this military version of the Boeing 707 passenger aircraft.

Officially known as the NAEW force (Nato Advanced Early Warning and Control Force), the aircraft are manned by crews drawn from 11 of Nato's 16 member nations.

Awacs were developed by the US, in the 1970s in response to Soviet deployment of aircraft and cruise missiles designed to escape detection by conventional ground radar stations as they hug the terrain during flight.

"These are basically airborne radar platforms looking down to spot low-flying aircraft. Our mission is purely one of defensive surveillance," Maj Schmidt said.

From a cruising altitude of 29,000 ft they command a view of all air and sea traffic over an area of some 312,000sq km, keeping 20 nautical miles from Warsaw Pact borders.

Despite their advanced surveillance equipment, they would make easy targets if caught unescorted in a conflict.

"In theory, you can't sneak up on an Awacs. But they carry no weapons, and would be sitting ducks if attacked," said Maj Schmidt.

Nato has since 1982 maintained a fleet of 18 Awacs, based at Geilenkirchen, West Germany, and with regular flights out of Italy, Greece, Turkey and Norway's Oerlandet Air Base.

Norway, to keep East-West border tension low, bans foreign military flights within 75km of Norway's border with the Soviet Union.

But even at this distance we can peer into Soviet territory to watch flights from military airfields on the Kola Peninsula," said Orelandet base commander, Lt-Col Ivar Ueland.

Information on their screens can be fed via satellite to the ground and naval forces, leaving the decision on how to respond to a possible incursion to the high command of the nations whose air space they are patrolling.

Their regular missions over Nato's northern flank play an integral role in monitoring Soviet air traffic, notifying Norway's air force of frequent Soviet intruders.

"We send up fighters nearly every other day to intercept Soviet aircraft, often Bear-class reconaissance planes, who stray too far west or too far south into Norwegian airspace," said Lt-Col Ueland.

Interception usually means identifying and photographing Soviet aircraft, after which they are ushered at close range back into international air space.

Flights over central Europe, because of heavy commercial traffic, are easily the most demanding on Awacs crewmen.

"On busy days, we'll see up to 450 blips on our screens," one US crewman said. "But that gives us plenty to do, and is a lot more interesting than flights over eastern Turkey, where there's almost nothing to look at," he added.

Despite the impressive array of electronic equipment packed into the windowless fuselage, officers said all the hardware can be bought over the counter in most Western nations.

But an Awacs $150m price tag would likely discourage even the most dedicated electronics enthusiast from tackling such a project.

Missions usually last eight days, including numerous fuel stops. Even with mid-air refuelling, an Awacs can stay aloft no longer than 24 hours, and rarely more than one third of the fleet is airborne at any given time.

WORLD BANK ANNUAL REPORT

Alexander Nicholl reports on a plea for finance to back poor nations' reforms

Greater effort urged to ease debt problem

THE World Bank calls today for stepped-up and integrated efforts to tackle the debt problems of developing countries. Debt, it says, is "a major obstacle that must be cleared from the development path."

In its annual report for the fiscal year ended June 30, the Bank says that both heavily indebted middle income countries and low income nations in sub-Saharan Africa have been particularly hurt by the recent economic climate even though many in both categories have been pursuing policy reforms.

Slow growth in industrialised countries, worsening terms of trade and volatile interest rates have caused slow growth in middle-income economies.

"Adjustment programmes involve difficult choices for governments, and political support cannot be sustained unless adequate finance needed to implement these programmes is made available," the Bank says.

It says commercial banks have made very few new financing commitments, and that multi-year rescheduling agreements have not become the financial underpinning for adjustment programmes.

"It is all the more necessary, therefore, that efforts aimed at ameliorating the debt problem be integrated and that the entire arsenal of available instruments be employed."

Though these instruments include debt/equity swaps, the Bank cautions that too much should not be expected of them. Only 1 to 2 per cent of the debt of major debtors was traded in 1986, it says.

The Bank urges more multi-year reschedulings, official export credits as well as other measures and stresses that all parties — both governments and banks — should play their part.

Though the Bank praises the governments of many sub-Saharan countries for their persistence and depth of their policy reforms, it says that the "institutional and political constraints, the social costs, and the financial requirements to sustain the reform process continued to mount."

Barber Conable: seeking capital increase

A Bank study shows that several such countries will still face GDP growth below the rate of population growth in the next three years and many will have stagnant or declniing per capita consumption. "Substantial additional resources are urgently needed, particularly, but not exclusively, for the debt-distressed countries among them."

A World Bank official said that a joint IMF/World Bank study to be considered by the Development Committee at the annual meetings of the two organisations beginning next week shows that "debt-distressed" nations in Africa need $1.5bn annually in order to reduce their debt service down to a manageable level.

Britain has proposed a debt relief scheme for Paris Club sovereign creditors of the poorest nations, but this has run into opposition from some other industrialised countries which object to lowering interest rates.

The Bank clearly believes that it has been playing its part in financing troubled debtors. World Bank commitments to the 15 heavily-indebted countries covered by the US-sponsored Baker Plan have exceeded $33bn since 1981, of which almost half was in the past three fiscal years. Disbursements have accelerated because a growing number of loans have been quick-disbursing. The Bank's lending to the poorest countries rose 9 per cent in the last fiscal year to $6.4bn.

In the past fiscal year, new loan commitments by the World Bank and its International Development Association affiliate rose 8 per cent to $17.7bn. The Bank's were up 7.7 per cent at $14.2bn.

Disbursements by the Bank rose quite sharply, up $3.1bn at $11.4bn, because of a growing proportion of fast-disbursing adjustment loans. IDA disbursements fell $67m, however, to $3.1bn.

When maturing loans are taken into account, the net transfer of resources to borrowers fell from $2.8bn to $2.4bn despite the big increase of disbursements.

The Bank expects its new commitments to be between $14bn and $15.5bn this fiscal year and the IDA's about $4.2bn. Over the next few years, new Bank commitments are expected to rise to an annual rate of $20bn.

The Bank, however, is increasingly conscious that it will soon run up against capital constraints and has therefore begun sounding out major industrialised governments on a substantial capital increase, officials say.

The Bank's "headroom" to make new loans is being increasingly restricted by the fall of the dollar which raises the value of many of its loans which are denominated in strong non-dollar currencies. The Bank's lending is not allowed to exceed its capital, which is denominated in dollars.

Committed capital is currently $90bn, and lending some $76bn, giving headroom of $14bn. The situation is not yet urgent because net disbursements are expected to total only about $4bn anually over the next couple of years.

Mr Barber Conable, the Bank's president, has been talking of a $60bn to $80bn capital increase and has met a favourable response from European and Japanese governments for a fairly prompt capital boost, officials say. However, the main stumbling block will be the US, where appropriations from Congress are chronically difficult to obtain.

Among other features of the Bank's report are:

● The Bank took a $57m special charge for costs of its internal reorganisation, which is detailed in the report. Particularly illustrative is a list of the Bank's senior executives as at the end of 1986, and a second list as at June 30 1987, showing many changes and some vacant slots.

● A review of structural adjustment lending — non-project loans introduced in 1980 in support of structural reforms of an economy — shows a mixed experience. None of the 10 countries surveyed fully implemented planned reforms on schedule, but budgetary performance and pricing policies generally improved over time.

Some facilities were too complex and some ran too far ahead of government commitment to economic reform. However, such loans were effective in providing quick - disbursing funds, in focusing governments' attentions on structural problems and in giving the Bank a means to support economic reform in a way that project-lending could not.

LOANS RECORD 1982 - 87

	Fiscal year					
	1982	1983	1984	1985	1986	1987
IBRD			$ millions			
Loans approved	10,330	11,138	11,947	11,456	13,179	14,188
Disbursements	6,326	6,817	8,580	8,645	8,263	11,383
Total income	3,372	4,232	4,655	5,529	6,815	7,689
Net income	598	752	600	1,137	1,243	1,113
General reserve	2,772	3,052	3,337	3,586	4,896	6,284
Net borrowings	8,521	10,292	9,831	11,086	10,500	9,321
Subscribed capital	43,165	52,089	56,011	58,846	77,526	85,231
			number			
Operations approved	150	136	129	131	131	[illegible]
Borrowing countries	43	43	43	44	41	39
Member countries	142	144	144	148	150	151
Higher-level staff (number)	2,689	2,703	2,735	2,805	3,617	3,858
IDA			$ millions			
Credit amounts	2,686	3,341	3,575	3,028	3,140	3,486
Disbursements	2,067	2,596	2,524	2,491	3,155	3.088
Usable resources, cumulative	25,280	27,967	30,910	33,295	39,167	43,614
			number			
Operations approved	97	107	106	105	97	108
Borrowing countries	42	44	43	45	37	39
Member countries	130	131	131	133	134	135

AMERICAN NEWS

Brazil 'stands firm on debt moratorium'

BY ANN CHARTERS IN SAO PAULO

BRAZIL WILL hold firm on its interest payments moratorium as it tries to convince banks that the time has come for an innovative long-term solution to the five-year-old debut crisis, Mr Luiz Carlos Bresser Pereira, the Finance Minister, said.

Brazil would meet its international private creditor banks next Friday to negotiate a long-term solution to the debt problem that "assures growth and price stability for Brazil, the reintegration of the country into the international financial markets and offers a reasonable solution to the banks," he said in an interview on Wednesday.

The interview followed a brief international tour in which he presented a radical plan to convert half of the country's $68bn bank debt into bands — a plan that received a brisk rebuff from creditors and particularly from Mr James Baker, the US Treasury Secretary. The Finance Minister agreed with Mr Baker that Brazil would adopt a more conventional approach.

Mr Bresser Pereira said that President Jose Sarney did not want an agreement that has to be reworked shortly after it is completed. "Brazil wants innovation, but is not interested in changing the world".

What separated Brazil from the international financial community were not the 'radicals and nationalists, who are not as strong as they are vocal," he said, but the debt itself and "the conservative and non-imaginative approach to the problem from banks and their governments."

A solution to the debt burden should include a fixed rate of interest according to a country's capacity to pay over the long term. Because more than 50 per cent of the public deficit in Brazil was interest paid on public sector foreign debt, it was "difficult, almost impossible, to put our house in order."

Brazil wanted better conditions than those obtained by Mexico, Argentina and the Philippinesh. The Brazilian proposal is to include a conventional aspect and a voluntary alternative to convert debt to bonds.

To stress his point that the banks should seriously consider opting for bonds, Mr Bresser Pereira stated that Brazil issued $6bn in bonds in the 1970s which were being fully serviced on principal and interest and which the country has never considered not honouring.

Because Brazil was interested in concluding the negotiations soon, there would be no symbolic interest payments to the banks, so that they were "firmly convinced that they have to make concessions compared to what they've agreed to previously."

"We really want to have a solution. Downgrading the bank loans would hurt them unduly, he said, referring to a deadline next month at which the US authorities may downgrade Brazilian loans to "value-impaired" status, forcing new loss provisions.

On the IMF, the minister said that he would like to make an agreement, but that he did not want any linkage with the disbursement of bank funds. He indicated that Mr Baker had agreed to the "no linkage" idea and that an agreement with the banks would precede talks w.". the IMF.

On the economy, the country needed no new money to finance the balance of payments if interest payments were not resumed. Despite the recent success in bringing inflation down from 25 per cent to 6 per cent a month, he said that the current level was still too high at 6 per cent, but that attempts would be made to control it

Ford and UAW agree pay deal

NEGOTIATORS for Ford Motor and the United Auto Workers union agreed yesterday to a three-year contract giving greater job protection and pay increases to 104,000 US autoworkers, the UAW said, AP reports from Michigan.

The contract must be approved by local leaders and the union rank-and-file before going into effect.

The UAW's national negotiations with Ford have been without a strike since 1976, when a dispute over paid personal holidays and wage increases resulted in a walk-out lasting 28 days

The UAW sought a settlement with Ford first in a tactic called pattern bargaining, seeking teh best deal possible from Ford as a pattern for negotiations with General Motors,

GM's contract has been extended until a new deadline that will be set once Ford workers begin voting on a settlement. Both contracts had expired Monday night at 11.59 pm.

Job security has dominated the union's demands this year. Ford, which has 104,000 UAW autoworkers, and GM, which has 335,000 both import cars from Korea and Mexico are planning or producing cars in joint ventures with Japanese automakers.

US teachers and parents agree there is room for improvement in education system

Deborah Hargreaves in Chicago reports on education problems in the US: a subject of wide concern in the run-up to the 1988 presidential campaign. Among the issues are classroom violence, and pay disputes.

THE PROBLEMS facing many US teachers in the country's struggling inner-city schools have been given another airing as some teachers have secured substantial pay rises in this year's contract round while others, notably in Chicago and Detroit, have taken part in acrimonious strikes.

Despite a move in most states since 1983 to boost teachers' salaries, many inner-city education boards are still failing to attract college leavers to the job.

In Chicago, where more than 25,000 teachers are on strike, the city's ninth stoppage in the past 20 years, the union says it is frustrated with what it sees as a disproportionate amount of cash spent on educational administrators rather than on teachers.

Both sides in the dispute are further apart than in previous years, with the union demanding a 10 per cent rise in the first year of a two-year contract and 5 per cent the next, while the school board tries to cut three days off the school year in a bid to reduce salaries.

This contrasts with a speedy end to contract negotiations in New York, where the city has promised an additional $910m in funds to increase teachers' starting salaries by 25 per cent to $25,000 over the next three years. The New York union says the latest increase – adding up to a 72 per cent raise for starting pay since 1983 – makes inner city salaries competitive with the suburbs for the first time.

Teachers in Chicago and other urban public schools are, however, often paid more than their suburban counterparts. But notoriously difficult working conditions in the inner city, where drop-out rates are often as high as 50 per cent, will deter qualified candidates.

"The working conditions are so poor, often money is the only incentive," one Chicago teacher cynically commented.

Given a competitive business environment and a subsequent lack of candidates with the right qualifications, some school boards have resorted to hiring under-qualified teachers, a spokesman for the American Federation of Teachers, a union group representing 660,000 teachers nationwide, commented.

He recounts one incident of a school board testing prospective teaching candidates; more than half failed the test, but the board went ahead and hired many of these in order to get someone in the classroom before the start of the school year.

Other school boards have cut courses such as biology and chemistry because of the lack of qualified science and maths teachers. School curriculae are determined on a local basis although some states impose a state-wide mandate.

College leavers can often be put off a career in teaching by tales of violence in city schools that sometimes reach legendary proportions. Indeed, almost half of city teachers responding to a recent survey by the Carnegie Foundation for the Advancement of Teaching (AFT) cited disruptive behaviour in the classroom as a real problem.

Of those surveyed, 32 per cent said violence against students was a problem and 13 per cent were worried about violence against teachers.

Mr Ernest Boyer, president of the Foundation, calls the survey's findings disturbing; "teachers in the nation's urban schools confront a shocking pattern of problems, ranging from disruptive behaviour in the classroom to the apathy of parents," he said.

On the other hand, in comparison to some of the conditions outside the classroom, some teachers stress inner-city schools are often oases of calm for urban children. Teachers' unions agree that the reputation for violence among some inner-city schools will discourage some prospective teachers.

But individual teachers have far more complaints about a top-heavy administration and unnecessary bureaucracy.

Some 36 per cent of urban teachers surveyed by the Carnegie Foundation said they had no control in selecting textbooks and materials to use in the classroom. Many teachers say they find this lack of control and large class size (up to 35 students per class in many cases) demoralising.

With high drop-out rates in a lot of major cities – and some estimates putting the US illiteracy rate at one in five – educators and teachers do not deny that the system is failing large numbers of its pupils.

To graduate from high school, teenagers must fulfill certain school-set requirements, for which they receive a graduation certificate.

In an effort to restore a bit more faith to the public school system on the part of both teachers and students, educators have come up with a range of suggestions.

These vary from merit pay for teachers who turn out skilled students to a scheme in Cleveland where pupils receive payment into a trust fund as a reward for achieving high grades.

Indeed, as education remains a subject of wide concern in the run-up to the 1988 presidential campaign, prospective candidates have already been voicing their own pet schemes for improving the system. And many teachers and parents agree there is still plenty of room for improvement.

US housing construction down by 1%

By Nancy Dunne in Washington

US HOUSING construction, slowed by rising interest rates, fell by 1 per cent from July to August, figured on a seasonally adjusted basis, according to the US Commerce Department.

The drop apparently continues a downward trend which began in March.

The downturn had seemed to be ending last month when the Commerce Department reported a 0.9 per cent monthly rise in housing starts.

The report warns, however, that month-to-month changes in figures often show irregular movements and cautions that "it may take three months to establish an underlying trend for total starts."

The four-month drop from March to June was an ominous sign of the run-up in mortgage rates in the spring.

It was the first decline for four consecutive months since 1981.

In August about 1.58m housing units were started, 12 per cent less than the 1.85m started in August 1986.

Construction of single-family houses fell 5 per cent during August while building of apartment houses rose by 7 per cent.

The seasonally-adjusted annual rate of housing units authorised by building permits in August, a forecasting tool of future growth, was unchanged during the month.

Biden 'will not back out of presidential race'

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

SENATOR JOSEPH BIDEN, the 44-year-old Democratic presidential candidate who has been charged in newspaper and television reports with plagiarising in his campaign parts of speeches by, amongst others, Neil Kinnock, the British Labour leader, insisted yesterday that he had no intention of backing out of the race.

At a press conference yesterday morning, Senator Biden admitted, however, that as a young law student he had also been accused of plagiarism by the academic authorities at Syracuse Law School.

"I was wrong, but I was not malevolent in any way," Senator Biden said, suggesting that the presentation as his own work of a legal brief based on a published law review article had been the error of an inexperienced law student.

Senator Biden and his political advisers had been hoping that if he performed successfully during the televised hearings into the contentious nomination of the conservative Judge Bork to the Supreme Court — Biden chairs the Senate Judiciary Committee — this would inject new life into his presidential campaign and enable him to emerge as a national figure from the apck of Democrats pursuing the presidency.

Americans take questions of cheating and plagiarism at college seriously. It is particularly embarrassing for Senator Biden to have questions raised about his honesty when he is chairing hearings into whether to confirm Judge Bork.

Senator Biden who has made it clear he opposes the Bork nomination is a presidential candidate who has been hoping to gather support amongst liberal Democrats, who fiercely oppose Judge Bork on the grounds that he will tilt the Supreme Court to the right, particularly on social issues.

Senator Biden's ability to lead the opposition to Judge Bork will be weakened to the extent his own credibility is in question and there has even been speculation that he might be forced to resign as chairman of the Judiciary Committee.

In response to the charges of plagiarism, Senator Biden said: "I have never quoted anyone without saying this is their quote, it is because. . . it is clearly known by everybody what it is or I honestly did not know I was quoting somebody else.

Central American peace talks open amid optimism

BY PETER FORD IN MANAGUA

A KEY meeting which could determine the progress of the month-old Central American peace plan opened amid optimism in Managua yesterday. This was in spite of US plans to press on with a fresh demand for $270m in aid for the anti-Sandinista Contra rebels.

The peace plan, first drawn up by Costa Rican President Oscar Arias, provides for ceasefires in the region's wars, amnesties, democratisation, a halt to outside aid for insurgent groups, and pledges not to allow such forces the use of Central American territory.

Central America's five foreign ministers, along with senior officials from eight other Latin American countries are meeting representatives of the United Nations and the Organisation of American States (OAS) to plan ways of monitoring the treaty's progress.

The ministers are discussing some of the peace pact's thorniest problems — who should be eligible for the amnesties each government is due to offer, and how to implement the treaty's call for an en dto all aid to insurgent guerrilla forces.

Equally complex is the accord's provision that all five countries will enforce their commitment simultaneously on November 7.

An international verification commission, comprising the Central American nations themselves, the Contadora Group countries (Mexico, Venezuela, Colombia and Panama), its support group (Argentina, Brazil, Peru and Uruguay), the UN and the OAS is due to ensure and judge compliance with the treaty.

Despite the Central American presidents' intention to demand an end to aid for irregular forces, President Ronald Reagan last week announced he would soon ask the US Congress for further funding for the Contras.

Should that money start flowing before the Arias plan's November 7 deadline, it would kill the accord stone dead, officials throughout Central America agre.

The treaty's insistence that no Central American country should allow its territory to be used by guerrilla groups is aimed especially at Honduras, hosting the Contras, and at Nicaragua. The US has regularly accused the Sandinistas of aiding the "Farabundo Marti" guerrillas in El Salvador.

This week's talks were expected to provoke a flurry of charges and counter-charges amongst the five governments over who is doing what to undermine the other.

Interpreting the pact's call for an amnesty is alsi likely to prove difficult. In Nicaragua, for example, opposition leaders are arguing that the government must offer amnesty not only to Contras in the field willing to hand in their weapons, but also to all political prisoners.

OVERSEAS NEWS

Aquino accepts resignation of key adviser

BY RICHARD GOURLAY IN MANILA

PRESIDENT Corazon Aquino yesterday reluctantly accepted the resignation of Mr Joker Arroyo, her controversial executive secretary, in an attempt to bring some "quiet" to her cabinet, which has been badly split since a failed coup on August 28.

His resignation was widely demanded by businessmen and churchmen, who accused him of being obstructive and opposed to the pro-business policies that Mrs Aquino publicly backs.

Large sectors of the military, including the leaders of a failed coup on August 28, accuse him of being a communist sympathiser and had also demanded his removal.

Mrs Aquino kept a second controversial adviser, Mr Teodoro Locsin, a legal counsel, as a consultant.

The cabinet changes follow Mrs Aquino's sacking on Wednesday of Finance Secretary Mr Jaime Ongpin, who has fought publicly with Mr Arroyo for much of this year over the direction government economic policy should take. The entire cabinet resigned eight days ago in order to give Mrs Aquino a free hand in forming a new government that can work as a team.

"However, some businessmen criticised Mrs Aquino for choosing a close political ally and former classmate of Mr Arroyo as the new executive secretary. The post carries powers similar to a chief of staff in the US system and is considered a powerful position because it ensures close daily access to the President.

In the TV address accepting the resignation, Mrs Aquino praised Mr Arroyo's "patriotism and true nationalism" and promised not to compromise his ideals. Mrs Aquino had a deep personal loyalty to Mr Arroyo, dating from his time as a human rights lawyer when he defended her husband, Benigno Aquino, and after the latter was assassinated in 1984.

Some observers said that Mrs Aquino had merely changed faces in the cabinet reshuffle, without defining the clear policy direction that businessmen say she is sadly lacking.

Others say that she has not done what was necessary to defuse the most serious attacks —even though Mr Arroyo's special relationship with Mrs Aquino will always guarantee him close access.

Meanwhile, finance department sources said Mr Jose Fernandez, Central Bank governor, who with Mr Ongpin, has played a central role in debt renegotiation talks, will retain his position for the time being.

Defendants in Carrian case win legal costs

BY DAVID DODWELL IN HONG KONG

TWO OF the six defendants acquitted in Hong Kong this week of conspiracy charges in the Carrian fraud trial were yesterday awarded legal costs for their three-and-a-half-year defence. These are likely to amount to over HK$40m and will have to be paid out of taxpayers' funds.

This second blow to the Hong Kong Government's legal department came as it was still licking its wounds from the shock aquittal of the six accused in what has gone into the history books as the British Territory's longest and most expensive trial.

Mr Justice Barker, who has presided over the trial for 64 weeks, contradicted government lawyers who were challenging the appeal by defence counsel to be awarded costs when he ruled that neither Mr David Begg nor Mr Anthony Lo, the first a partner in, and the second an employee of, Price Waterhouse, Carrian's auditors had brought suspicion on themselves nor misled the prosecution as was claimed

The precise total to be awarded to the acquitted men has yet to be decided, but is expected to be between HK$40m to HK$50m.

Carrian, headed by Mr George Tan, had grown meteorically between 1977 and 1983, only to collapse spectacularly when the local economy floundered late in 1983. Debts amounted to about HK$10bn.

Sensation was heightened first by a murder and a mysterious suicide. Scandal spread to Malaysia when it was discovered that Bumiputra Malaysia Finance, a subsidiary of Malaysia's biggest bank, had lent huge loans to Carrian.

In the wake of the collapse, Bank Bumiputra had to be rescued by Malaysia's nationalised oil company and a number of government officials and ministers were tainted.

The Carrian trial lasted for 281 days, involved 25,000 pages of prosecution transcripts and cost the Hong Kong Government about HK$27m to prosecute.

Top official in plea for Aboriginal treaty

By Chris Sherwell in Sydney

AUSTRALIA'S most highly ranked Aboriginal official yesterday made an impassioned plea to the Government to commit itself within the next six months to reaching a treaty of understanding with the Aboriginal people. Mr Charles Perkins, the secretary of the Department of Aboriginal Affairs in Canberra, insisted that a treaty was necessary and declared that the country's 200th anniversary of white settlement was the right time to confront the issue.

The outspoken Mr Perkins, who has been reprimanded more than once for expressing his strongly-held views, made his remarks in an address to members of the foreign press.

His comments came only two weeks after Mr Bob Hawke, the Prime Minister, unexpectedly floated the idea of a treaty or compact with the Aboriginal people, perhaps as a preamble to legislation setting up an Aboriginal Affairs Commission.

The idea immediately generated controversy over what exactly he meant and whether it would meet Aboriginal demands. Mr Hawke himself warned Aborigines not to have "unreal expectations" about it, while the opposition Liberal Party called it "tokenism."

In his remarks yesterday Mr Perkins said a treaty should be embedded in the constitution by referendum and should embrace the controversial issues of prior ownership of Australian land, of land rights and of compensation for land loss.

Acknowledging that conclusion of a pact would take two to three years, he insisted that a commitment had to be made within the next six months so that "we can all celebrate Australia's bicentenary."

A treaty, he said, would "help us consider the past in a more reasonable manner and allow us to leave a legacy for our children."

It would "allow us to develop a new relationship between each other," Mr Perkins said.

"At the present time there's no dignity in the relationship between whites and blacks in this country, there's no respect, there's no appreciation and there's no understanding.

But a treaty was still only "part of a mosaic which is the answer" to Aboriginal affairs. It would take compassion, sensitivity, understanding, a will, programmes and projects, administration and hard work, and give and take to "change the situation from bad to reasonable."

Anthony Robinson on a long-awaited report from the President's Council

Pretoria advisers urge area reform

The desegregated reality of a Johannesburg inner-city area

SOUTH AFRICA'S top-level policy advisory body, the President's Council, yesterday proposed greater flexibility in the Group Areas Act on segregated residential areas.

It also proposed abolition of the Separate Amenities Act which guards the remnants of "petty apartheid" in public places and public transport.

In a long-awaited report presented to parliament yesterday the committee, which has spent more than two years reviewing the remaining apartheid laws, stopped short of recommending scrapping the Group Areas Act as urged by influential lobbies such as the Urban Foundation and black groups.

Instead it proposed the retention of legal protection for existing racially-segregated residential areas coupled with a degree of local option which would permit residents themselves to decide the ethnic composition of their area.

Bowing to the reality of mixed residential areas in many city centres it also proposed legal recognition for de facto "open" or racially-mixed "grey areas" and freedom of choice in some new developments.

The report is understood to be less radical than the committee's original proposals made nine months ago. These were rejected before publication by President P. W. Botha personally because of fears that abolition of the principle of legally enforceable ethnic group areas would lead to a massive white backlash in the whites-only general election in May.

Doubts over the government's commitment to the Group Areas Act remained an important factor behind the 30 per cent vote that went to right-wing parties which continue to oppose changes to the act.

Mindful of the extent both of white apprehension of change and black, especially Coloured and Indian, anger at the discriminatory aspects of existing laws the latest proposals seek to steer a middle way between white fears and black aspirations, the poles of South African politics.

While insisting on statutory protection for "group" residential areas the report proposed that "free market principles" should be applied in and around business and industrial areas following the recent opening up of central business districts to all race groups for business only.

In practice many inner-city areas, such as Hillbrow in Johannesburg and Woodstock in Cape Town, are already mixed areas with all races living in areas zoned for whites only.

Legalising mixed or "open" areas would not only reduce exploitation by frontmen and landlords who often insist on premium payments for illegal tenants, but allow white residents the opportunity legally to sell their properties to black people and move from the area.

The report says itst "point of departure is that besides own (separate) residential areas, provision should in principle be made for free occupation of open areas where circumstances warrant this . . . In this way group rights and individual rights could be treated in a more balanced way and provision would be made for the forces and process that operate in the urban context."

The report is in line with the government's stated commitment to a more open and flexible society. This is backed up by the abolition of "influx control" and the pass laws, recognition of freehold property rights for blacks in townships and acceptance of large-scale "orderly urbanisation" by black people as a positive development and engine of faster economic growth rather than a nightmare to be prevented.

The report also examines the consequences of legalising "open" or "grey areas"—especially in the areas of political representation and education. Total abolition of the Group Areas Act would in practice have spelt the end of social apartheid or separate development—a move desired by many at home and abroad but resisted by a majority of white people, specially those of lower and middle income who most fear what they would consider collapsing property and other values if racial restrictions were abolished.

Racing zoning means that all schools, hospitals and other facilities serve only the resident race group. Political representation is also ethnic —from local and provincial level up to the three ethnically-segregated houses of parliament. Legalising "open" areas however implies acceptance of both mixed schooling and mixed voting in limited areas of the country.

The report fudged the education issue with the suggestion that children could go to private schools which, unlike the state schools, are already racially mixed.

On the voting question the committee set down five alternative proposals ranging from a joint voters roll with no restriction on choice of candidate through to a separate elected "area committee" within an existing ethnic local authority, to the forfeiture of voting rights for those who settle in an area zoned for another population group.

The committee stopped short of making a specific recommendation but said it could find no justification for denying citizens and ratepayers full participation in their local authority and recommended a "reform approach" to the question.

The report, which is to be debated in parliament, was signed by representatives of the ruling National Party on the President's Council committee but rejected by those of the right-wing official opposition Conservative Party, the moderate Progressive Federal Party and the coloured Labour Party.

One of the key questions now is whether the flexibility proposed will permit the rebuilding of places such as District Six — not as a coloured ghetto as before but as a new open area for all races.

It is a proposal strongly supported by pro-reform business circles and whose acceptance by the government would be one of the most convincing proofs of its commitment to a more equitable future.

Black bid for S African bus concern collapses

By Our Johannesburg Correspondent

INTERNAL divisions within the black South African bus and taxi association (Sabta) has led to the collapse of its bid to buy the 52 per cent controlling stake in the Putco Bus Company from its Italian owners, the Carleo family.

The bid by the association, representing more than, 45,000 black taxi and mini-cab drivers, to buy for about R150m Putco's buses and repair shops was seen as a potential breakthrough for black enterprise.

Putco transports millions of black commuters around the townships and between the townships and jobs in white areas.

It has been a big loser from the rapid growth of private black taxi companies which provide quicker, safer and more flexible transport for those able to pay a premium over the bus fares.

Despite the collapse of the Sabta bid, however, negotiations continued yesterday for the sale of stock exchange-listed Putco to nominees representing both black and white business interests.

The negotiations are being led by Mr Ivan Brownlees, who acted as a nominee for Sabta in earlier negotiations but has become the principal in the latest round.

Mozambique in 'grave crisis'

THE WAR in Mozambique has created a crisis which "continues on a massive scale" affecting more than four million people, the British charity Oxfam warned yesterday.

Mr Frank Judd, the director of Oxfam who has been visiting Mozambique, said at a London press conference that international aid had helped avert a major disaster, but added: "Western governments, in particular the British government, must also tackle the main root cause of Mozambique's problems by putting effective pressure on South Africa to stop its continuing support for the Mozambique National Resistance."

Kuwait used protection to increase oil production

By Andrew Whitley in Kuwait

KUWAIT has taken advantage of the protection being afforded to its tankers by three foreign navies—those of the US, the UK and the Soviet Union—to increase its oil production to more than double its official Opec quota of 996,000 barrels a day.

Western diplomats say that since the US reflagging and naval escort began in the second half of July output has soared to over 2m b/d, a level unseen since early 1980. In late August it is said to have reached a peak of 2.2m b/d.

By comparison, according to the National Bank of Kuwait, in the first five months of the year Kuwait's oilfields were pumping crude at an average rate of only 1.25m b/d, 14 per cent down on the same period in 1986 and a modest 26 per cent above the country's designated quota.

Taken together with the recent increase in oil prices of about $2, to near the $20 a barrel mark, this production surge means that at the moment Kuwait could be enjoying a windfall gain of an extra $60m a month in its all-important oil revenue.

Iran has been attacked by Iraq as well as in the West, for profiting during July and August from the temporary lull in the Gulf "tanker war" by substantially boosting its oil exports. But it now appears that Kuwait has acted even more decisively to boost its revenues.

Official statements insist piously that Kuwait, usually Opec's fifth largest producer, continues to adhere to its quota limit. To back up this claim—and dampen rife speculation over the extent of its overproduction — the Government announced earlier this month that spot market sales had been halted.

However, if the latest production estimates are correct, the country's limited storage capacity, equivalent to six days' output at the 2m barrel level, indicates that most of the additional output is probably finding buyers.

Diplomats commented that in pushing production so hard Kuwait's motives seem to be a mixture of responding to market conditions and a fear that the outlook in the Gulf could deteriorate in the coming months.

"The question is whether the August figures were a flash in the pan, or are being maintained in September," said one close observer of the local oil industry.

Truce unlikely to end conflict over Aouzou

BY RICHARD JOHNS IN VIENNA

A DECLARATION by Colonel Muammer Gaddafi, the Libyan leader, that his country's long war with Chad is "over" is unlikely to bring the long conflict over the Aouzou strip to an end, in the opinion of diplomatic observers.

Rather it reflects exhaustion on the part of Libya following a series of stunning military reversals this year which have cost the country about 9,000 troops killed, probably more than a tenth of the total strength of its armed forces.

In a speech reported yesterday by the official Jana news agency in Tripoli, Col Gaddafi pledged never again to interfere in Chad's internal affairs if its southern neighbour renounced its claim to the Aouzou strip, a bleak desert area of about 44,000 square miles annexed to Libya in 1973.

Last week the two countries agreed to a truce but there is little possibility of a peaceful settlement over the disputed territory because of the significance which both countries attach to the area. It is generally, but perhaps erroneously, believed to be rich in minerals.

Having gained control over part of it after clearly striking a heavy blow to Libyan morale President Hissene Habre will clearly not accept Col Gaddafi's claim to the Aouzou Strip.

The US, which has given his regime more than $30m in acknowledged military aid, want to see him give up the struggle against one of the Administration's leading betes noires although France, N'Djemena's main backer in the past, would like to see an agreed resolution to the conflict and a compromise over Aouzou which it, as a colonial power, once ceded to Italy when it was master of Libya.

"The war between the great Jamahiriya (Libya) and Chad is over after the expulsion of the mercenaries from Aouzou and their annihilation in as-Sarra," Jana quoted Col Gaddafi as saying.

Col Gaddafi apparently hopes that recovery of the greater part of the strip may lead to recognition of his country's right to it.

Libya recaptured the fly-blown town of Aouzou on August 28 but subsequently suffered a humiliating setback when a Chadian column penetrated 60 miles into recognised Libyan territory.

N'Djemena's claim to have killed 1,713 Libyan troops and destroyed 26 aircraft and 70 tanks at the Maaten as-Sarra base from which bombing raids were mounted against it have been confirmed as substantially correct by Western intelligence informants. Chad said that it had lost 60 men.

Tony Walker on prospects for an economy dependent on Gulf stability

Jordan forced into rare austerity

DR MAHER SHUKRI, now deputy governor of Jordan's central bank remembers the day in the 1970s when as a relatively junior officer, he processed a telex transfer of aid fund from Saudi Arabia of $140m.

The sum caught the young Dr Hukri by surprise because he was expecting $14m. Twice he queried the amount, suggesting that an additional "0" may have been added. No, came the reply, the transfer was correct.

A year later Saudi accounting practices eventually caught up with the error, but by that time the money had been spent, Dr Shukri recalls with a laugh. In these days of lower oil prices and swelling budget deficits it is unlikely Saudi Arabia or other wealthy Gulf benefactors would make such mistake, let alone fail to rectify it for such a long time.

And therein lies, in part, one of the reasons for the cash squeeze Jordan is experiencing at the moment. A shortfall in funds pledged by Gulf donors under a 1978 Baghdad Arab League summit formula and a slowdown in remittances from Jordanian nationals working in the Gulf is causing difficulties.

The latest central bank statistical bulletin reports that at the end of April, cash reserves stood at 51.8m Jordanian dinars (£90m) or sufficient funds to cover just two weeks' imports. Dr Shukri says the position has improved since April and that reserves reached more than 70m dinars at the end of July.

However, the pattern of the past several years is one of diminishing reserves to the point where some might regard Jordan's financial position as precarious. Offsetting this are Jordan's gold reserves worth about $500m at today's prices and a large credit to Iraq of about $800m which shows up under a column in the central bank statistics entitled "other foreign assets."

Dr Shukri describes this sum as "technically usuable" to cover some categories of imports such as oil. However, the fact is that Jordan whose economy is 70 per cent reliant on imports is being forced into a programme of unaccustomed austerity and prospects are for even more difficult times ahead until oil prices rebound and Gulf states regain their economic equilibrium.

Mr Zeid al Rifai, Jordan's Prime Minister, insists that the economy is in "very sound shape." He noted Jordan in 1986 repaid $580m in interest and principle on its approximately $4bn foreign debt as an indication of his country's sound financial position.

Jordan's debt service ratio (debt repayments as a percentage of earnings from exports, workers' remittances and other services) is creeping up from 9.9 per cent in 1985 to about 13 per cent this year. Mr Rifai recently told parliament that a debt service ratio of 20 per cent was a "red line" beyond which it would be imprudent to venture.

Both Dr Shukri and Mr Rifai said in interviews it would be necessary for Jordan again this year to borrow abroad. Last year it raised $150m internationally. That money was not drawn down until early 1987.

Jordan is also grappling with persistent budget deficits. A projected deficit for 1987 of 39.6m dinars is considerably understated. On present indications Jordan's domestic deficit this year is likely to be at least four times that figure.

Mr Rifai recently asked parliament to approve a supplementary budget of 141.4m dinars, mostly to cover debts accrued by Jordan's armed forces and left unpaid for a number of years.

Growing budgetary pressures are likely to be a feature of the medium term for a country heavily dependent on subventions from Gulf states which have proved highly unreliable benefactors in recent years.

Only Saudi Arabia is consistently fulfilling its pledge under the Baghdad agreement which allocated Jordan $1.2m annually in Arab aid in recognition of its frontline status (facing Israel). The Saudis provide $357m annually in three instalments.

Jordan is also experiencing a reduction in the inflow of remittances from the 330,000 of its citizens working abroad, the majority of them in the Gulf. Officially recorded transfers from this source amount to about $1bn annually. Dr Shukri said there had been a drop in remittances of about 8 per cent in the first half of this year.

Jordan's weakening foreign exchange position, its heavy dependence on imports for up to 70 per cent of its requirements and its budgetary difficulties has revived discussion about a possible devaluation of what some obeservers regard as an overvalued dinar as a means of further curbing imports.

But Jordanian officials are adamant such a move is not being contemplated. Dr Shukri insisted that the local exchange rate accurately reflects the dinar's value on a trade-weighted basis against the currencies of Jordan's major trading partners.

He also argued that a devaluation would be a retrograde step because of Jordan's dependence on imports. It would encourage inflation (Jordan actually experienced deflation of 1.2 per cent in the first four months of this year) and was likely to provoke a bout of capital flight.

Still, the fact that the possibility of a devaluation is being canvassed in business, government and banking circles in Jordan is significant. The subject was virtually taboo until recently. As a foreign observer said: "At least, they won't take you out and shoot you now, if you suggest it."

Jordan has been doing its best to reduce the domestic deficit and to improve its balance of payments position. It has reduced expenditures where possible, strengthened tax collection, imposed additional duties on imports and sought to encourage exports.

However, as Mr Rifai observed, the government in its efforts to restrain imports is caught in something of a vicious circle because customs duties are a principal source of revenue. He said scope for further expenditure cuts and reductions in imports was limited. Commercial activity is already depressed.

Jordan is struggling to maintain its traditional exports of fertilisers and foodstuffs in highly competitive international markets. The value of exports of these items, in fact, dropped in 1986 compared with the year before.

But Jordan's drive to reduce imports helped it to narrow its trade deficit in 1986 by 224m-594m dinars which, nevertheless, represented more than one-third of Gross Domestic Product.

Another Jordanian concern is rising unemployment, in particular among professionals such as doctors and engineers. Joblessness among these groups has reached 20-30 per cent. Official statistics put the overall unemployment rate at about 6 per cent, but this almost certainly underestimates the problem.

WORLD TRADE NEWS

Australian consortium wins Turkish power plant franchise

BY OUR ANKARA CORRESPONDENT

The "Ozal Model" — an ambitious scheme for energy and infrastructural projects in developing countries—took a major step towards becoming a reality yesterday with the announcement by Turkey's Prime Minister that the government is to go ahead with plans for three large coal-fired power plants built under franchise.

The announcement is likely to have far-reaching consequences both for the power industry in the developing world, where the model creates an important precedent, but also for the international coal trade in Europe and the Middle East. Turkey has decided to award the first contract to an Australian consortium which intends to create a large stockpile of Queensland coal beside the plant for re-export

Mr Ozal said that the government would shortly begin talks with the Australian consortium, headed by Seapac of Queensland and also including *Chiyoda and Tokyo Electric* of Japan, Westinghouse of the USA, and the Queensland State Government. The plant will be at Yumurtalik on the Mediterranean coast and will produce 1,400MW of electricity a year. It is expected to take three and a half years to build and cost around $1,200m.

Final negotiations are not *expected to present* any major hurdles, but a signing of a contract will probably have to wait until after the Turkish general elections on November 1.

As soon as as the first contract is signed, Turkey will move on to the second project, a 960 MW plant at Tekirdag near Istanbul. This is to be built by Bechtel of the US, *with KWU of West Germany* and Combustion Engineering of the US, and will cost around $1,000m.

The government hopes that a contract for it will be completed by the late spring of next year. This would open the way for negotiations on the final plant, to be built by the Electrical Power Corporation (EPDC) of Japan, with Mitsubishi and Hitachi. It will be at Aliaga on the Aegean coast and produce around 1,000 MW.

The Bechtel and EPDC plants will be run as joint ventures with the Turkish Electrical Authority, TEK, for 15 years. After which they will be handed over to the Turkish government. The Australian project has a longer life and will not be handed back for 26 years, close to the economic life of the station.

Underwater cable sale to Soviets

CIE GENERALE d'Electricite CGEP.PA (CGE) said its Submarcom underwater cable subsidiary had signed a Fr 216m contract with the Soviet central *buying office Mashpriborimporg,* Reuter reports from Paris.

The contract is for 392 km of reinforced coaxial cable and includes 40 underwater repeaters and terminal equipment, CGE said in a statement.

The cable would be laid by a French ship, but the contract included training in France of Soviet personnel. Delivery is due in July 1988 and the contract would be paid for in European Currency Units, the statement said.

David Barchard in Ankara on the 'Build-Own-Operate' method for projects which clinched a contract with Australia

Energy deal a triumph for Ozal's novel financing model

THERE WAS a sense in Ankara yesterday that something rather unusual in international trade terms had been achieved with the announcement of the decision to go ahead with three giant coal-fired power plants on the Turkish coast.

Both the Turkish Government and the five rival consortiums which had been negotiating the projects for two and a-half years have made the utmost concessions to clinch a deal.

For the Turks, the deal means that a new source of project financing, very close to direct foreign investment, has become available for big infrastructural deals. It is something of a personal triumph for the Prime Minister, Mr Turgut Ozal, who three years ago announced to a sceptical world that he had come up with an alternative to traditional project finance.

Hard negotiations have since smoothed away the uncertainties and objections voiced by foreign banks, companies and, above all, export credit agencies.

Turkey wants the model not *only because it enables it to* go ahead with projects for which it might not be able to borrow money. The background to the power plant schemes is an expected annual increase of 12 per cent in demand for electricity over the next five to 10 years.

The model will also give the Turks access to foreign management and technical assistance in the day-to-day running of the plants once they are constructed. It is hoped that some of the less-happy episodes in Turkey's recent industrial history, notably the delays and confusions of a giant lignite-fired power plant at Afsin Elbistan, built with traditional project finance, will be avoided.

The Turks also hope that the new models will prove that Turkey is a safe environment for the foreign investor in the medium-to-long term, and that an inflow of other investments will follow.

The Australian hopes surrounding the project are no less high. The Yumurtalik plant, which will be a deep sea port, will consume 3m tonnes of Queensland coal, supplied at an expected $35 per tonne cif, but the port will take delievery of an initial 10m tonnes a year. The balance will be re-exported to Europe and the Middle East.

The port is designed to be expanded to at least three times its initial size in two subsequent enlargements. An Australian source in Ankara yesterday said: "We should be able to supply Queensland coal to West *Germany at about half the cost* of German coal."

The Australians assume that the deal will in iits initial stages give them a virtual monopoly of the rapidly growing Turkish coal import market because of their ability to undercut all other international suppliers.

The Australians have also dangled before the Turks the possibility that the vessels carrying the coal to Yumurtalik will be able to take cargoes back to the Far East.

These include not only such Turkish bulk exports as minerals, but also crude oil. The new deep sea port will be only a few miles from the Mediterranean terminal of the two Turkish-Iraqi crude oil pipelines.

It appears to have been these *considerations which* persuaded the prime minister to resist powerful lobbying from the US (at least one senior administration official is said to have rung him up to press Bechtel's claims) on behalf of the other consortiums.

He said yesterday that the deal was not the first time that the "Ozal Model" (also known as "Build-own-Operate") had been used and that the government had negotiated nine agreements for hydroelectricity plants on the same lines. These appear to be mostly small deals with local companies, however.

The second and third contracts wil probably be signed in May and November of next year, if everything goes according to plan. However Turkish contracts have a way of being delayed again and again. It is understood however that the letters of intent which the Turkish Government was yesterday preparing to send to each consortium will have a stated time limit.

For the time being however, the future of all three deals will depend on the outcome of the general election on November 1. Turkey's three main opposition parties have signalled that they do not like the Ozal model. While they would not scrap an existing arrangement if elected, they would probably not go through with an incomplete deal.

A hostile government is just one of a series of possible hazards which the ventures could face during their 15-to-26-year *life spans. These have* been the subject of detailed contingency plans largely drawn up as a result of negotiations with the US Eximbank.

Turkey has firmly resisted all attempts to make it give a sovereign guarantee for the projects. It wants them to be credit rather than debit items on its balance of payments, which they would not be if it issued a sovereign guarantee.

Finnish-Soviet trade declines

BY MARGIE LINDSAY IN LONDON

THE SOVIET UNION has fallen to second place in trade with Finland for the first time since the mid 1970s. The drop in Soviet-Finnish trade last year.

West Germany is now expected to become Finland's main trade partner, followed by the Soviet Union, Sweden and the UK.

Soviet-Finnish trade troubles began when the world oil price fell below $20 a barrel. Last year the percentage share of the Soviet Union in Finland's trade fell to roughly 18 per cent from a former high of over 20 per cent in the early 1980s.

According to the Finnish Finance Ministry, trade with the Soviet Union is expected to fall by 10 per cent in volume terms this year over last year. A further 10 per cent drop is expected in 1988, with a similar decline projected for 1989. In 1981, two-way trade reached a peak of $6.8bn and has declined gradually since. The National Bank of Finland recorded Finland's imports from the Soviet Union for the January-July 1987 period at FM 6.88bn and exports at FM 7.75bn. The balance of trade has usually been in Finland's favour.

Finland's trade with the Soviet Union is conducted through a clearing account system. The USSR ended 1986 with a large deficit. Under the terms of the clearing system, this deficit needed to be erased.

The result was the opening of a special account—similar to a low interest short term credit —totalling about 300m roubles ($477m). The first payment on this account, which was formally arranged in February this year, is due in 1989 with final payment in 1991.

Trade with the Soviet Union is highly dependent on oil prices. When the world price of oil dropped, the Soviets found themselves strapped for hard currency. As a result trade with Finland suffered.

Both the Finance Ministry and the National Bank of Finland agree that trade with the Soviet Union is declining and *will continue to decline* unless one of two events occur.

Either the world oil price rises to over $20 a barrel and remains there, or Soviet leader Mikhail Gorbachev's restructuring of the Soviet economy changes significantly the ability of the USSR to sell large quantities of industrial and consumer goods to Finland. At present it relies upon oil, and oil-related, export products.

The Soviet Union is expected to end the year with another deficit in Finnish trade, probably of around $200m.

European anger at US textile restraints

THE EC will be forced to take action against US products if Washington passes legislation to curb imports of textiles, clothing and shows, the European Commission warned yesterday, William Dawkins reports from *Brussels.*

In the Far East, Asian exporters reacted angrily, saying that such a move could invite retaliatory measures from its trading partners.

Mr Willy de Clercq, the EC's Commissioner for external trade, said there could be "no justification" for such a move. He was responding to the vote a day earlier by the US House of Representatives in favour of a bill to limit to one per cent the annual increase in US textile and clothing imports and to freeze foreign shoe sales at current levels. "The whole international trading system will bear the costs," said Mr de Clercq.

Diversification

The Saatchis' search for serious money

Christopher Lorenz assesses the ubiquitous brothers' latest ambition - to add financial services to their empire

VISIONARIES, megalomaniacs, or just plain opportunists? That is what the business, financial and investment communities on both sides of the Atlantic have been asking with growing perplexity this week about the *amazing brothers Saatchi.*

There is certainly plenty to be puzzled about. The head-scratching started on Sunday with the remarkable news that Maurice Saatchi, chairman of the world's most voraciously expanding advertising, marketing services and management consultancy combine, had just proposed marriage to Britain's troubled Midland Bank, which is roughly double its size.

Not surprisingly, Midland rejected the idea out of hand.

There the episode might have rested, either as a wayward piece of Maurice and Charles Saatchi's opportunism at the *prospect of an* ultra-cheap acquisition, or as the first hint of a plan to emulate Italy's Carlo de Benedetti, and other European buccaneers, in the construction of a disparate collection of business empires based round a number of entirely separate cores; in de Benedetti's case, these include electronics, media, food and vehicle components.

But not a bit of it. Instead, Saatchi & Saatchi reacted to Midland's rebuff by declaring its belief that financial services were "a very natural extension of the business service sectors we are already in."

On Monday, Saatchi's shares rose slightly. But the next day they plunged in disbelief when it emerged that the company was not only engaged in takeover talks with one or more of the world's leading accountancy firms, but was also in negotiation with a broad raft of British financial services organisations, notably merchant banks.

Inquiries to the Saatchi camp (the company almost never talks "on the record") elicited its confident expectation that at least one such deal would be signed within months. Rumours instantly started coursing around the City, with merchant banks Hill Samuel and Morgan Grenfell two of the most popular tips. Yesterday Hill Samuel confirmed that Saatchi had made a firm approach, which it had rejected.

Far from being merely an opportunistic strike, in other words, the talks with Midland *were clearly just part of a much* broader foray by Saatchi into financial services, on a platform of supposed "industrial logic": of synergy between the hitherto separate and very different worlds of business and financial services.

The Saatchi plan was - and very definitely still is - to bridge the two, and repeat in financial services its achievement in advertising of moving from nowhere to become the world's number one in barely 15 years. (It harbours similar global ambitions for all the other business services it has gobbled up through acquisition in the past few years.)

> Far from being an opportunistic strike the talks were part of a broader foray

The place that Midland - or any other clearing bank - was intended to occupy in Saatchi's scheme of things is still unclear; initial guidance from the company on Monday night was the logical argument that, since the main thrust of the new strategy would be into corporate financial services, any link with a "clearer" was not top of the priority list. Hours later, however, a different Saatchi source contradicted this logical postition.

Tuesday's incredulous reac*tion from many city analysts,* management consultants and others was therefore understandable. Much of their language was unprintable. But one consultant with years of experience within international service organisations condemned the move on Midland as part of "a Chinese money game", and the wider Saatchi strategy towards financial services "as having nothing logically to do with the building of a service conglomerate."

Whatever the investment and share price logic might be, the strategy had "no meaningful synergy from a business point of view", agreed Neil Blackley, senior marketing services analyst at James Capel.

At a time when successful global service organisations such as American Express have been turning their backs on the concept of "financial supermarkets", Saatchi is effectively doing the opposite.

In reality, the strategy is a good deal more thought-through than that. Nor is it a complete bolt from the blue. For one thing, Saatchi is thought to have made an approach several years ago for Phillips & Drew, its own broker, which has since been bought by Union Bank of Switzerland.

Furthermore, the Saatchi camp feels that by *no means* all the financial institutions it is talking to are as dismissive as the Midland of its notion of the *gradual breakdown of barriers between financial and business* services, and the construction of a "multi-service business" *with the* resources *and global* spread capable of confronting, especially, the Japanese threat in financial services - a danger of which Saatchi has been making much this week.

The Saatchi logic, as expressed *in a special study* which has been shown to these and other institutions, is certainly complicated. It rests on *several key components:*

1. The power of a global strategy. This has become a familiar scene in manufacturing thanks to the worldwide success of the Japanese; it is not only Saatchi which has spotted that the same phenomenon is now becoming increasingly evident in many service sectors - especially finance.

2. The organisational and competitive power of scale, especially in terms of capital resources, superior market intelligence, information systems, and career opportunities for staff.

3. The transferability of management skills from one area of knowhow-intensive services (such as advertising or management consultancy) into another (such as financial services).

4. Saatchi's own particular experience of managing a network of service businesses which is unusually widely spread, both geographically and in terms of its range of activities. Despite the highly-publicised departure of a few star names, Saatchi *claims to have handled successfully* the inevitable problems of acquiring and digesting new US subsidiaries without destroying the entrepreneurship and drive which made them attractive takeover targets in the first place.

It also believes it has developed effective systems for managing a multi-service operation. It takes great pride in having lured into key positions a number of experienced top managers from outside.

5. *The potential for securing* extra business, and giving clients a much better service, through cross-fertilisation of expertise, and referrals between different parts of its diverse empire. Saatchi's latest annual report acknowledges the difficulties of executing such a strategy, but asserts "we are no*netheless dedicated to its achievement.*"

Globalisation (point 1) is a highly controversial topic in itself, especially regarding its strategic and organisational consequences. But Saatchi is right to emphasise the radical effect of global competition, and the globalisation of certain products and markets, on the *structure of both business and* financial services (though not necessarily on the cross-over between them).

Point 2 (the benefits of scale) also has its controversial aspect, but again it does not necessarily detract from the Saatchi argument.

Point 3 (the transferability of management skills and experience) is fine in principle, though there are many shades of difference between the management of accountancy and *consulting, for example, let* alone between advertising and financial services. But, as in manufacturing, management expertise can be transferable - to a degree, at least.

It is on the fourth and fifth points that Saatchi's case becomes most controversial. Is Saatchi as good as it says it is at *managing a far-flung, fast-growing* and diverse services empire? In particular, has it found an effective balance between the continued decentralisation of entrepreneurial units (on which it prides itself), and the exploitation of those "family connections" between disparate units which - in the final analysis - will be crucial to the success of the entire strategy on which the whole Saatchi empire has been constructed?

The Saatchi camp has put much emphasis this week on its feeling that investment analysts and the media have always exaggerated the importance of such cross-referrals to its current and future success.

Instead, the company sees the route to eventual cross-fertilisation as lying largely in the gradual, independent development of each of its units into a top *performer in its particular* market place. Once that has happened, goes the argument, cross-referrals will start occurring almost of their own accord: both from within the Saatchi empire (as units start *wanting* to refer business to each other), and from outside, as senior executives in client organisations *encourage* their staff to use the Saatchi portfolio of services.

To a limited extent this has already started to happen; Saatchi can point to a number of examples in various parts of the group and in various countries. Analyst Blackley confirms some of these gains, notably those that followed Saatchi's 1985 spate of acquisitions of US "below the line" consultancies in such fields as public relations, sales promotion and design. *"It started off at a cracking* pace," he says. "Since then, however, the momentum has fallen off."

Blackley claims this is partly because Saatchi has failed to follow through by plugging the remaining gaps in its network of "below the line" firms. But he also puts it down to the excessive looseness of the management mechanisms which link the company's existing network. He considers that WCRS, a leading British advertising agency, which recently started following Saatchi into other marketing services as well as management consultancy, is already showing signs of developing a more effective way of managing inte-rrelationships within the firm.

The dilemma facing both Saatchi and WCRS is how to strike an ideal balance between *decentralisation and independence* on the one hand (a key motivation for any group of consultants or "creative" specialists), and co-*ordination* on the other.

Though particularly acute for knowhow-intensive firms in advertising and consultancy, this is just as hot a current topic within almost every type of multinational company, from Unilever to BP.

In Saatchi, the prime mechanism for co-ordinating such in*ter-relationships at present is* a regular, but informal, meeting of senior representatives from all over the group. At least one very senior Saatchi executive feels strongly enough to speak openly for a strengthening of the system. Scott Anderson, chairman of MSL International, a prime recruitment consultancy offshoot, advocates "a slightly *more formal co-ordination* of the group's experiences with particular clients. In no country does the group have a local focal point. Most senior people in Saatchi are terrified of anything that looks like bureaucracy - there's very little structure in the middle."

Even insiders who are complete supporters of the Saatchi *management approach admit* that it is in a state of flux. As it stands, therefore, the Saatchi approach is certainly not a proven model capable of direct transfer to the management of a diverse financial services group.

The whole concept of cross-referrals is also hotly disputed between advocates of "service supermarkets" and supporters of specialist firms. Dean Berry, a business school professor and *senior partner of MAC,* a leading management consultancy, says "specialist business services are professionalising so fast that most clients don't want or need one-stop shopping". In the majority of client organisations the contact points for each particular service are "scattered all over the place, and at various levels. It's a very complex map," he says.

Even if the likes of Saatchi and WCRS can persuade their clients' *chief executives or marketing* directors to recommend the use - or just the consideration - of its full panoply of services, there are all sorts of reasons why their underlings may fail to comply.

If such cross-overs are difficult to create and exploit *within* the business services sector, what chance of them working *between business and financial services?*

The near-universal move of accounting firms into management consultancy over recent years might appear to be a concrete example of precisely this trend. But in many ways accounting is more of a business service than a financial one.

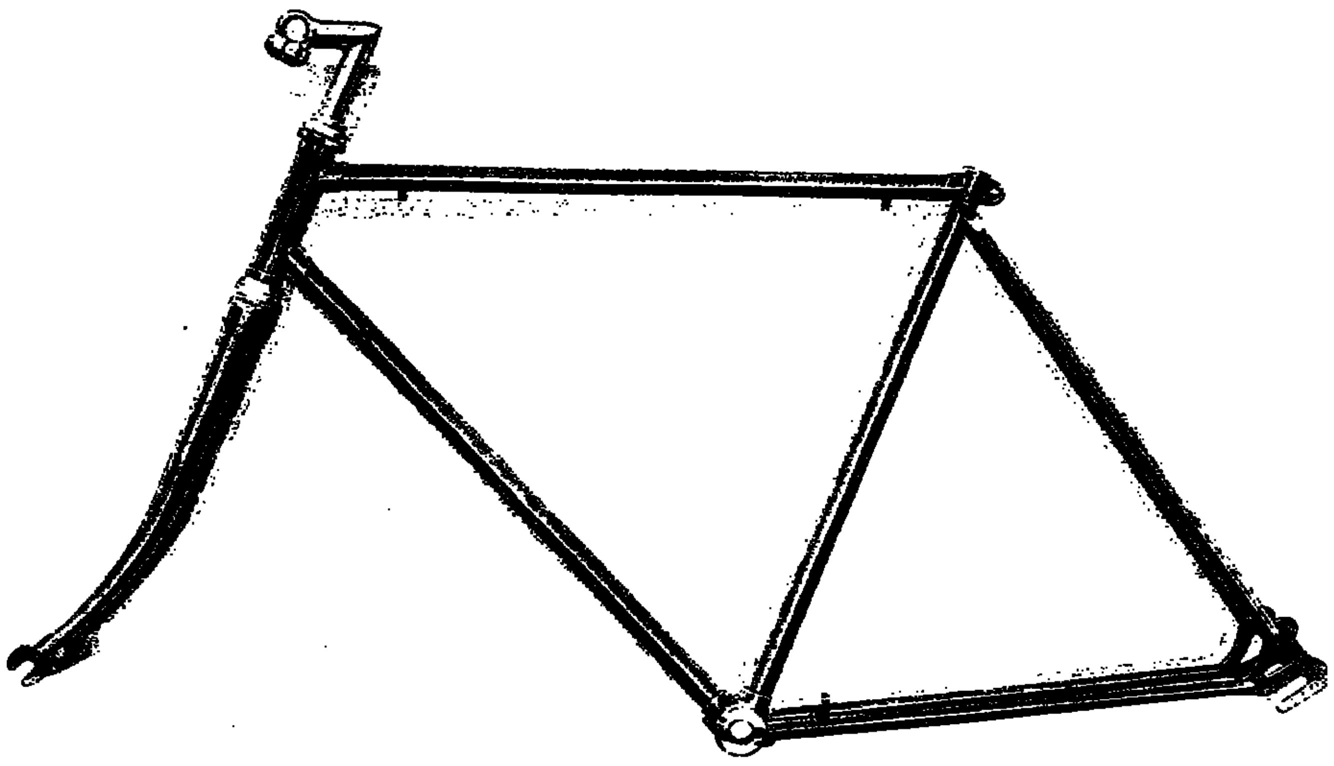
Equally, the recent move by UK banks into estate agencies is also seen by most financial services experts as a natural "fit". Estate agency has more to do with financial than with *business services, according to* this argument.

> 'Most senior people in Saatchi are terrified of anything that looks like bureaucracy'

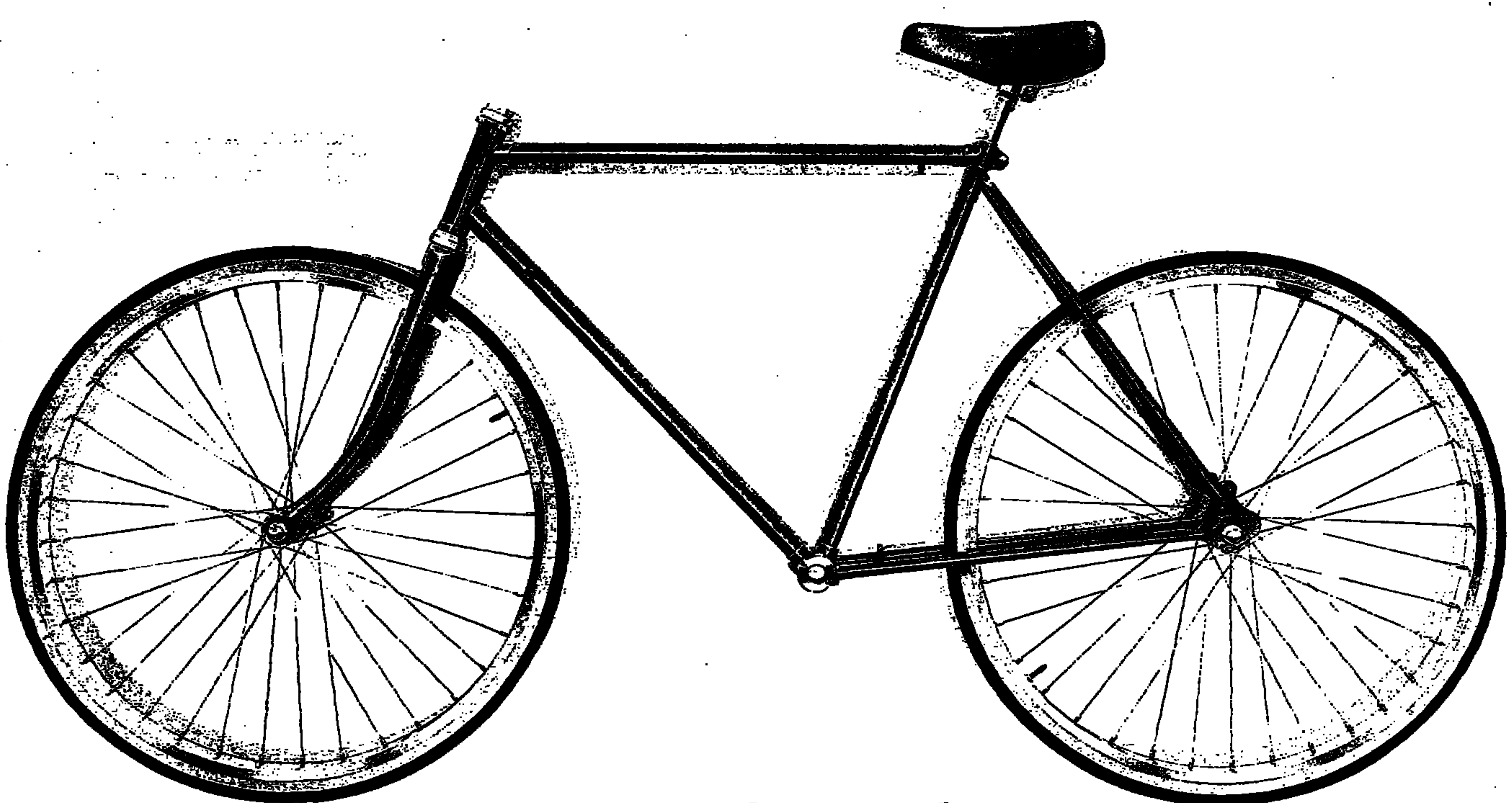
As a prime example of its strategy operating in the reverse direction, the Saatchi study cites Deutsche Bank's purchase last month of Roland Berger, West Germany's largest independent management consultancy.

Yet several European acqui*sition experts, such as Martin* Waldenstrom of Booz, Allen and Hamilton, the management consultancy, see this as a peculiarly German affair, arising from the unusually close advisory role that German banks have always played for their corporate clients.

Even if Saatchi does pull off an unlikely string of coups in financial services,it will be left facing what another consultant calls "enormous cultural problems". The worlds of business and financial services are very far apart, and it will take a lot more to marry them than just vision, drive and a management style which has still to prove its staying power.



A bicycle?



Not a bicycle?

Bring bicycle parts into Britain from Taiwan, and you'll pay duty of 8%.

Bring in complete bicycles, and you'll pay 17%.

A simple enough arrangement, surely? But as one of our clients discovered, there's a snag.

When is a bike not a bike?

Our client was importing a consignment of bicycle parts, including handlebar-stems, all on the same ship from Taiwan. Naturally he declared them as 'parts', liable to the lower rate of duty.

When the ship docked, the parts were seized by Customs and a duty of 17% slapped on them. Customs said they were 'bicycles'. Our startled client even had to pay an extra penalty to get the parts back.

He'd run into an international customs rule that basically says a collection of parts is a finished product if it represents the 'essential character' of that product.

That's when we rode into action. And after carrying out a detailed examination of the customs rules, we found a way round the problem.

Take out the handlebar-stems.

We concluded that, in this particular instance, the handlebar-stems should be shipped in separately. The rest of the consignment could then be declared as 'parts' not 'bicycles', and the duty would only be 8% not 17%.

Strangely enough, it seems that a consignment of handlebar-stems, frames and forks could still be 'bicycles'.

It's a complicated story, this saga of the bicycle-parts, but it does make a point about our attitude.

We take a freewheeling, innovative approach. We're not stuffy and remote, we like to get involved in the nitty-gritty. (We work at Southwark Towers, not Ivory Towers.)

Occasionally, we can even be seen in bicycle clips.

Price Waterhouse

Tory MPs urge public funding for inner cities

BY JOHN HUNT

A CALL for an injection of public money into inner city regeneration will be made today by a group of 15 Conservative MPs from the Home Counties and the West Country.

They have produced a pamphlet suggesting that about six cities should each receive up to £30m in "pump priming" capital for a new generation of urban development corporations.

The likely candidates would be Leeds, Sheffield, Bristol, Cardiff, Southampton, Middlesbrough and Rotherham.

The proposal comes after it was made clear at the start of Mrs Thatcher's inner city tour on Wednesday that the Government would not be able to find extra money for inner cities.

However, the MPs say: "It is essential that public sector investment in them is more than matched by private capital investment."

They also say there is a strong case for using the revenue from the sale of the land and capital assets of the new town corporations to fund the new urban development corporations.

They estimate that £2bn will be released by this means and argue that some of it should be used to fund the next phase of urban redevelopment.

"It may even be possible to tap some of the London Docklands Corporation's profits for this purpose," they say.

They also want the creation of "cashless" development corporations on an experimental basis in such towns as Leicester, Nottingham and Derby. These would take over planning and development controls from the local authorities to speed up housing and other developments.

Their proposals are contained in a Conservative Political Centre pamphlet entitled This Pleasant Land by Mr Nicholas Baker, MP for North Dorset, and Mr Jerry Wiggin, MP for Weston-super-Mare, a former parliamentary secretary at the Ministry of Agriculture with responsibility for land and planning. They have the backing of 13 other Tory MPs.

The main thrust of their argument is the need to reverse the drift to the south-east and to prevent overdevelopment in rural and green belt areas.

They complain that inner city councils and some public sector owners are hanging on to land in the inner cities. To stop this they suggest a public auction system to allow developers to serve notice on local authorities or state bodies that their undeveloped urban land should be auctioned within three months. The highest bidder would acquire the land and would have to commence development within a year.

The pamphlet calls for a national land use survey to determine how much land is suitable for housing and other development in the cities.

This Pleasant Land, A New Strategy for Planning, Conservative Political Centre, 32 Smith Square, London SW1P 3HH, £1.95.

Industrial design standards attacked

BY FEONA McEWAN

BRITISH manufacturing industry was criticised yesterday for mediocrity in product design.

Mr Simon Hornby, chairman of the Design Council, said: "Though there are some exemplary companies, the general standard of design management in companies in Britain is nothing like good enough...and mediocrity in design is the rule."

He blamed managers for failing to recognise the necessity of good product design and for failing to make full use of the outstanding talent available.

Speaking at a press conference to mark the council's 1986 annual report, he said: "Industrial output may be improving, but this does not necessarily mean the design element is being treated more seriously."

He cited the spiralling imbalance of imports to exports as further evidence that British design was not good enough. A high proportion of products submitted to the council's own good design label scheme had been rejected because the design was simply not good enough.

"There is still a need to convince many top managers that design is important enough to demand their personal attention and commitment," he said.

As a result of the current industrial renaissance the role of the Design Council was even more urgent than ever, said Mr Hornby.

The two main priorities remained to convince industry of the vital but integral importance of design in the manufacturing process and to advance design education at all levels starting from primary school.

The council is urging the Education Secretary to secure design education as part of the core curricula in future, not as a discrete study but pervading all subjects from physics to technology and art.

In the year since the appointment to the government-funded council of Mr Hornby, who is also chairman of W. H. Smith, a number of initiatives have been set in motion to improve the efficiency of the oft-criticised body.

There will be fewer and more focused exhibitions, a review of the effectiveness of the design label scheme and a new post has been created for a marketing head to develop revenue-earning activities.

The idea is to boost income through sponsorship and other activities. Government funding has so far this year reached £13m, which equals the total sum awarded last year.

Large rise seen in sales of books on money matters

BY RAYMOND SNODDY

SALES OF books about business, personal investment and family money matters are showing enormous rises and, in the post-AIDS world, explicit sexual-technique books are in rapid decline.

These changing trends in book-buying habits emerge from a survey of the reading habits of the 400,000 members of The Leisure Circle, the UK book club owned by Bertelsmann, a West German publishing company.

About 70 per cent of the circle's members, largely recruited by door-to-door salesmen, have never bought a hardback book before, the survey shows.

Mr Gerhard Janetzky, managing director, said: "We are selling books to people who for the most part have never thought of going into a bookshop."

A new Barbara Taylor Bradford, author of books such as A Woman of Substance, may sell between 20,000 and 30,000 copies through general trade publishers but 120,000 through the circle.

Literary works in hardback by a traditional publisher can reach bestseller lists with sales of 6,000 copies but sell up to 30,000 a year with the club.

Textile capacity falling behind

BY NICK GARNETT

THE GULF between the UK's manufacturing capacity in primary textiles and that of Italy and West Germany, Europe's biggest producers, is continuing to widen dramatically, according to the latest figures on machinery installation.

Britain now ranks only about seventh in overall spinning capacity within the EC and sixth in weaving, measured by statistics from the Swiss-based International Textile Manufacturers Federation.

The UK's position in size and re-investment appears to be still sliding. For example, last year Italy installed more than 200,000 new spindles for cotton, artificial fibre and wool spinning, an area in which it is already four times as large as Britain.

West German textile companies purchased half that amount but installation of new spindles in Britain was almost nil.

The UK did introduce last year 3,800 new machines known as open-ended rotors which are between three and six times as productive as traditional spinning machines. That figure, however, was much lower than in Spain, France, West Germany and Portugal and compares with the 22,000 rotor machines installed by Italian textile companies in 1986.

Weaving machinery tells a similar story, although the disparities are not so great. British textile companies bought 450 new looms last year, according to the federation. Italy, however, installed 4,500 new looms, more than a fifth of the UK's total capacity in looms for cotton, artificial fibre and wool weaving.

Mr Herwig Strolz, the federation's director, said: "It is a sad story for the UK. The figures show the astonishing growth of Italy in textiles and the consolidation of West Germany as Europe's second textile economy."

The federation figures are based on shipments of new machines from 75 makers of spinning and weaving machinery around the world. The companies account for virtually all worldwide production of these machines.

The figures do not include knitting machines, nor any of the equipment used in finishing or the making up of clothing. British companies in primary textiles have been making good profits and in one area, wool spinning, the UK is second in the EC league table of production capacity.

The federation says the statistics provide an accurate guide to the relative size of countries in primary textiles and their re-investment programmes. Figures due to be released towards the end of the year will show that the age profile of machines in the UK primary textile industry is one of the worst in Europe.

Up to the start of last year, the UK's total spindle capacity was 1.6m, compared with 5.8m in Italy and 2.4m in West Germany.

During the past 10 years, Italian textile companies have purchased 32,000 of the highly productive shuttle-less loom. West German companies have taken 16,000 and French companies 12,000 but UK textile producers have bought just 4,600.

BBC local radio chain 'to be completed'

By Raymond Snoddy

THE BBC is to complete its chain of local radio stations in spite of having to cut overall costs because its licence fee had been tied to the Retail Price index.

Mr Michael Checkland, BBC director general, last night announced that seven more stations had been approved, when opening the Royal Television Society's Cambridge Convention.

The stations, to be built in the next three years, will give access to BBC local radio to 4m potential listeners in Gloucester, Hereford and Worcester, Wiltshire, Suffolk, Surrey, Berkshire, Warwickshire and Dorset. They will bring the chain of BBC local stations in England to 39.

Mr Checkland said the green paper on radio's future in the UK recognised the corporation's public-service broadcasting role in local radio based on speech and news - that is rather than on popular music.

He said: "We will move forward rapidly within the resources we have made available."

Local radio was examined at the corporation this year as one area of possible savings but the corporation has now decided on expansion by deferring other capital spending and by cutting costs of new stations.

Mr Checkland said the corporation's future horizons were nothing if not realistic. It would not follow ITV in transmitting television throughout the night and did not seek involvement in community radio.

However, he said it was still looking at the possibility of adding to licence-fee income by delivering a subscription service of films to video-recorders in the middle of the night, and was examining delivery of special-interest videos to closer user groups. Mr Checkland reaffirmed the corporation's commitment to public-service broadcasting.

He told broadcasting industry leaders broadcasters needed to do more than just ensure that in a democratic society the public had access to all the arguments.

ITV fears bias in PM seminar

By Raymond Snoddy

A ROW has broken out between independent television chiefs and Downing Street over claims that Mrs Thatcher's seminar on the future of broadcasting on Monday is biased against the ITV companies.

Although there are 23 outside guests, no-one has been invited from the big five ITV companies which dominate commercial television production.

The two ITV representatives at the Downing Street seminar are Mr David McCall, chief executive of Anglia Television and chairman of the Independent Television Companies Association, and Mr Bill Brown, managing director of Scottish Television.

The ITV chiefs have asked for a programme controller from one of the big five companies to be included on the list to talk about the importance of programme production, but the request has been turned down.

ITV is also alarmed at the blunt nature of the briefing notes sent out to those attending.

The briefing document comment on ITV reads: "So far as the ITV system is concerned, the Government is considering the Peacock recommendations on: (a) auctioning of contracts; (b) separation of Channel 4."

Sir Alan Peacock, chairman of the committee which investigated the future of broadcasting, will open the proceedings.

Meanwhile, the ITV companies are in increasing disarray over plans to back the concept of a fifth television channel.

David Lascelles talks to the hard-driving chief executive of Shearson Lehman Brothers

Banking on benefits of a cost-cutting exercise

"WHAT WE DID is something that many other firms will be doing," predicted Mr Peter Cohen, chief executive of Shearson Lehman Brothers, the US investment bank.

He was referring to Shearson's announcement earlier this week that it was making 150 people redundant from its London office - a move which underlined the growing cost pressures in the City post-Big Bang and the hard look which financial institutions are now taking at themselves.

Mr Cohen, who is on a three-day visit to London from New York, was speaking in Shearson's smart new glass and steel offices in Broadgate, where it has pulled together its sprawling London operations.

He has a reputation as a cost-cutter. Aged only 41, he is wiry with short-cropped black hair and makes his points by stabbing the air with a fat cigar. In five hard-driving years in the job, he has built Shearson into one of the leading US investment banks, and a major component of the American Express group.

The London cuts, he said, were part of a world-wide review of Shearson's operations, which had also included some small job losses in New York and a boost to Shearson's staff in Tokyo, where a big build-up is afoot. However, he suspected that all big US investment banks were facing the same problems; Shearson just happened to encounter them first.

As world capital markets expanded over the last couple of years, he said, no large house could afford the luxury of taking a step back and waiting to see what happened. So they all expanded fast in the US, London and Tokyo, adding enormously to their costs without a clear idea of where the new sources of profit would be. On top of that, the recent decline of the US bond markets had brought heavy trading losses.

"Last year, we had put a lot of pieces in place, and we wanted to look and see which businesses were profitable, which we should contract or run differently."

Peter Cohen: acquisition habit is deeply ingrained

Shearson does not intend to withdraw from any lines of business in the UK, where it is active in corporate finance, commodities trading, fund management and securities dealing. Market-making is being trimmed, although Mr Cohen said it could expand again as markets improved.

"We have had a tremendous amount of capacity come into the business. Far more than was justified. We have to get that capacity in line with the realities of the market."

The London operation remains a vital part of Shearson's international strategy, both as a bridge between Tokyo and New York and as a springboard for the company's business in Europe. Shearson is establishing itself in several continental countries in anticipation of the liberalisation of EC capital markets in 1992.

Shearson was the only US investment bank which bought a UK stockbroker - L. Messel - for Big Bang. The firm has now been completely absorbed, although the wisdom of that move has been questioned by other US banks which preferred to build up their own business.

Shearson - unlike other US houses such as Salomon Brothers and Goldman - is itself the product of more than 100 acquisitions. The habit is deeply ingrained. Some observers have commented that, if anything, Shearson was slow to cut the fat out of Messel. Often, people get their cards within days of their firm being bought up by Shearson.

Mr Cohen declined to detail the profit performance of the London business. He believes that the US firms which will succeed internationally are those with a diversified business, which can trade a wide range of products and possess the capital to shoulder very large deals themselves. He naturally counts Shearson in that category, but believes that only half a dozen other US firms qualify.

BAe to join US groups in tilt-rotor study

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH Aerospace is to join with Boeing Helicopter and Bell Helicopter Textron of the US to study the possibilities of developing tilt-rotor aircraft in the UK.

These aircraft use a variation of vertical take-off techniques. Wing-mounted engines in a vertical position enable take-offs and landings like a helicopter, but the engines are then tilted through 90 degrees into the horizontal to permit conventional forward flight.

In that way, tilt-rotor aircraft can get into and out of restricted spaces while performing in flight like fixed-wing aircraft at speeds of up to 300 knots.

The world's first tilt-rotor aircraft, the V-22 Osprey, is being developed by Boeing and Bell in the US under a $1.7bn contract from the Defence Department.

A total of 913 tilt-rotor V-22s are to be built for the US armed services with the first aircraft due to enter service in late 1991. The first flight of the V-22 is set for the middle of next year.

Under the deal announced yesterday, British Aerospace, through its Military Aircraft Division, will conduct assessments of the military and civil markets in the UK for such aircraft, and will define and promote the type for use by the Ministry of Defence and commercial aircraft operators.

Boeing and Bell believe that the aircraft are ideal for flights between city centres. They are collaborating in studies which are being conducted by the Port of New York Authority into their use between New York airports and destinations within 300 miles of Manhattan.

The US National Aeronautics and Space Administration, also in conjunction with Boeing and Bell, has undertaken studies to define a series of possible tilt-rotor designs for inter-city commuter use.

In the UK, the aircraft would be suitable for the London City Stolport, which starts services on October 26. Eventually, commercial tilt-rotors could be providing services from that airport to near Continental cities.

In Western Europe, a group called Eurofar (European Future Advanced Rotorcraft) is studying the possibility of developing tilt-rotor aircraft for civil and military use. The Eurofar participants include Aerospatiale of France, Aeritalia and Agusta of Italy, CASA of Spain, Messerschmitt-Bolkow-Blohm of West Germany and Westland Helicopters of the UK.

Orders seen for ATP airliner

By Michael Donne

BRITISH Aerospace yesterday dismissed suggestions that its new 64-72 seater airliner, the twin-engined Advanced Turboprop or ATP, was in trouble because of lack of sales.

BAe said its concern about the ATP was negligible. It said: "Our confidence grows every day. We are hopeful orders are on the way. We are in deep negotiations."

So far only two customers have placed orders for the aircraft — British Midland, which is buying five, and Leeward Islands Air Transport, which is buying four.

Liberals clear way for talks on SDP merger

BY PETER RIDDELL, POLITICAL EDITOR

MR DAVID STEEL, the Liberal leader, will this afternoon seek to set the policy agenda for a new party with the Social Democratic Party after the Liberal Assembly yesterday voted overwhelmingly in favour of a merger.

After a three-hour debate, a motion backing the creation of a new party and setting the terms of the talks was approved by 998 votes to 21. So large was the support that a proposal for an initial ballot of all Liberal members was rejected as unnecessary.

However, the leadership was given a number of warnings not to ignore Liberal rank-and-file concerns.

Yesterday's vote opens the way for the start of negotiations early next month after most of the Liberal team is elected by the Assembly later today. The SDP's national committee meets on Monday to choose its representatives.

The SDP's ruling council rejected by a ratio of 60 to 40 an anti-merger proposal at its conference in Portsmouth 2½ weeks ago.

Leading members of both parties are confident that no impossible preconditions have been set for the talks, which should be completed in time for consideration by further conferences in January with final ballots next February.

After yesterday's vote Mr Steel now wants to turn party and public attention away from internal debates towards the new party and the policy agenda to replace Thatcherism.

He will focus on consumer interests and on the need to increase competition in both the public and private sectors.

However, a motion calling for 'a positive industrial policy' involving government intervention was approved by 437 votes to 412 only after criticism that it was outdated and involved too much Whitehall activity.

During the main debate there were continued rumblings about how far the broad policy stance of the new party, as opposed to its detailed policies, should be approved before a merger.

This was favoured by Mr Robert Maclennan, the SDP leader, but opposed by prominent local activists, who suspect a plot to bounce on the new party a commitment to a continued British nuclear capacity.

Mr Steel's allies see a possible way forward in a suggestion by Mr Des Wilson, the retiring party president now allied with the local activists.

He said yesterday that the Alliance's June election manifesto and a previous policy statement could be 'the starting point for urgent and radical policy development by the new party.' This might meet SDP concerns.

There were only a handful of outright opponents of merger yesterday and it was significant that some of the doubters, sought to minimise differences with their local council allies by supporting the motion.

However, traditional Liberal suspicion of the leadership was reflected in strong support for an amendment on the composition of the negotiating team which would not have made the party leader or his nominee an automatic member. This was only defeated by 571 to 527.

Ms Becky Bryan a Stamford delegate, called for the merger to be achieved as fast as possible.

"We have tried the patience of the electorate. A lot of people want a proper radical alternative...but somehow we have put our foot in it a bit."

She warned delegates that the new party would have to move quickly to head off Labour attempts to gain the middle ground of politics.

Ms Fran Oborski from the West Midland gave a warning against adopting too tight a timetable.

"It's better to take time now and get it right, rather than rush it and make a few mistakes we could repent for a very long time," she said.

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London casino stake sold by Goldsmith, Aspinall for £90m

BY NIKKI TAIT

SIR JAMES GOLDSMITH, the colourful international financier, and Mr John Aspinall, the zoo owner, are cashing in their chips in Aspinall Holdings, the London Mayfair casino operator and investment company.

They have agreed to sell the company - where they own a 76.2 per cent stake - for £90m to Alfred Walker, a former Birmingham housebuilder now being turned into a property and leisure group by former Pleasurama chief executive, Mr George Martin, and Mr Peter de Savary, the financer and yatchsman. The company is quoted on the Unlisted Securities Market.

"It's a name of high quality," declared Mr de Savary, yesterday, "and I believe we can take it into other leisure activities.

Mr Aspinall, a former founder of the Clermont Club, opened the casino in Knightsbridge in the late 1970s with financial help from Sir James.

The company came to the market shortly before its move to freehold premises in Mayfair, capitalised at just under £60m. The issue, however, proved a big success with stockmarket punters and the shares soared to an opening premium of 42 per cent, valuing the business only £5m short of yesterday's sale price.

Yesterday Mr Martin revelaed that he had attempted to buy the company for £125m about 18 months ago, in his Pleasurama days, but failed to win agreement. Mr de Savary, too, made an earlier approach to Sir James.

The lower purchase price, said Mr Martin, was partly justified by the change in the gaming climate. The absence of Arab "high-rollers" - one quarter of Aspinall's customers - has hit all London casinos, and in the last full year Aspinall's "drop" fell from £146.4m to £114.7m. Profits in 1985-86 were £7.3m before tax, and in the six months to March 1987, it made £4.42m.

Walker, which is almost trebling its size via the acquistion, has agreements with Mr Aspinall and Sir James for the buy-out of Aspinall's non-casino investments - including a £14.8m position in the copper market. This should guarantee that Aspinalls receives around £25m in cash.

The terms are either 51 Walker shares for 100 Aspinalls or 173p in cash. Sir James and Mr Aspinall are taking cash in respect of the bulk of their combined holding - £58.5m - but retaining 2.9m Walker shares, about 6 per cent of the company. Yesterday, Walker shares shed 23p to 375p.

Private investors in BP sell-off will be offered bonus shares

BY LUCY KELLAWAY

PRIVATE investors applying for shares in next month's £7.5bn British Petroleum share sale, the largest privatisation yet, will be offered a package of special inducements including bonus shares, NM Rothschild, adviser to the Government on the issue, announced yesterday.

Although most recent privatisations have included bonus shares for loyal shareholders, this is the first time that a sale of shares in a company already quoted on the London Stock Exchange has been sweetened in such a way, and reflects the Government's desire to make the BP issue as attractive as possible to small investors.

However, BP shareholders will not be offered other inducements like petrol vouchers.

The terms of the bonus issue - one new share for every 10 held for three years, up to a maximum of 150 bonus shares - are similar to the bonus package offered to British Gas investors when it was privatised at the end of last year.

Further inducements in the BP sale include selling the shares on a partly paid basis, and pitching the minimum application at a low level. Rothschild said yesterday the mimimum investment would be about £250, with a first instalment of no more than £100. This again is the same level chosen for the British Gas privatisation.

Rothschild yesterday expressed satisfaction at the response so far to the BP share marketing drive, which it said was attracting more than 150,000 responses a day from shareholders. So far 3.75m people had registered their interest, a higher level of response than at this stage in any previous privatisations, the bank said.

Payment for the shares will be made over the next 18 months. The first instalment - likely to be about one third of the total price - will be payable in October, with the second instalment in August next year, and the final in April 1989.

Mr Anthony Alt, a director of NM Rothschild, said yesterday those terms would increase the yield on the shares, which he estimated in the first year could be about 10 per cent on the partly paid shares.

Coal overtime ban goes ahead

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE PLANNED overtime ban in Britain's coalfields will go ahead from next Monday, after the National Union of Mineworkers and British Coal yesterday failed to agree terms for referring to arbitration their dispute over the industry's disciplinary code.

However, the ban will not affect safety and maintenance work and should, therefore, guarantee full five-day coal production.

The union executive decided to limit the ban to coal production and development work in overtime. This was seen to reflect many miners' fears of a crippling dispute so soon after the industry's 1984-85 strike.

The executive agreed to seek reference to arbitration by Acas, the Government-supported conciliation service.

British Coal said that while it did not consider the issue at stake to be suitable for decision by arbitration, it was "always happy to meet Acas" - on two conditions.

These were that the NUM should call off its threatened ban and accept British Coal's right to determine at which pit any dismissed miner should be re-employed. The union could not accept this.

Banker will head Takeover Panel

BY CLAY HARRIS

MR ANTONY BEEVOR, an executive director of Hambros Bank, was yesterday named as the next director-general of the Takeover Panel, the top staff position at the self-regulatory watchdog for City of London mergers and takeovers.

Mr Beevor, aged 47, will assume his position on December 11. Like his predecessor, Mr John Walker-Haworth, Mr Beevor has been seconded to the panel for two years: Mr Walker-Haworth is to return to S.G. Warburg, the merchant bank, when his term ends.

The new director-general, the first to be supplied by Hambros, is returning to the panel after an absence of 16 years. He served as secretary of the panel in 1969-71, part of his 25 years' experience in takeovers both as solicitor and merchant banker.

The executive guides and rules on the conduct of takeovers, although participants have the right of appeal to the full panel. This was used yesterday in the case of the late bid by Crownx, the Canadian financial services group, for two money brokers owned by Mercantile House, the British financial services company which has agreed to a takeover by British & Commonwealth Holdings.

Mr Beevor was chosen by Mr Robert Alexander, the barrister who has been chairman since July, with the approval of the Bank of England. He will remain on the Hambros payroll, but the panel will fully reimburse the merchant bank.

All but four members of the panel's 16 permanent staff are seconded from government or the City.

The panel plans to revise the wording of rules governing disclosures of stakes held in companies involved in takeovers. The change will not affect the new thresholds brought in February - requiring holders of 1 per cent or more of a company to disclose any change in their stake.

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Airline seeks City travellers to Paris

BY LYNTON MCLAIN

BRYMON AIRWAYS yesterday unveiled the Cityclass service which it proposes to offer business travellers from the London City Airport when it opens on October 26.

The service will include a Cityclass club and lounge at the airport, where members will be able to buy duty-free goods.

Passengers will also be able to book cars while in-flight, through an agreement with Europcar, and taxis if agreement can be reached with the taxi authorities. Tickets for local travel using public transport at Charles de Gaulle airport, Paris, and for buses from London City Airport to the City will also be available on the Paris flights.

Mr Charles Stuart, chairman and chief executive of Brymon Airways and a former marketing director of British Airways, said he wanted Cityclass to be accepted by potential passengers in the way that British Airways' shuttle was accepted as a "turn up and fly" service.

Competition on the route between London City Airport and Paris is likely to be intense. Brymon Airways, which is management owned with a 40 per stake held by British Airways, will be competing with Eurocity Express, owned by British Midland Airways.

Both airlines will be using the de Havilland Dash 7 aircraft, with about 46 seats. Brymon is to offer six flights a day and Eurocity four flights.

Air France has an agreement with Brymon for it to use the Air France terminal at Charles de Gaulle, with each airline sharing costs and revenues.

Mr Bernard Morel, general manager of Air France for Great Britain and Ireland, said the total journey time between the City and the centre of Paris could be about two hours and 20 minutes.

Union digs in for long fight at Royal Opera

BY JIMMY BURNS, LABOUR STAFF

THE MANAGEMENT board of the Royal Opera House is to hold an emergency meeting today to discuss the future of the company in the light of a pay dispute involving 69 members of the choruswhich has cost the company £1.25m in lost box-office bookings.

The move comes amid signs that Equity, the actor's union representing the chorus is bracing itself for a long fight. The union, which claims that the 69 are not on strike but simply refusing to accept new contracts, said yesterday that it would be appealing as from next Monday to all its members to contribute to a special hardship fund in support of the chorus.

Equity said that the members of the chorus would return to work this weekend if management agreed to accept arbitration. But ROH indicated yesterday that it still believed such a move would not serve any useful purpose. "As far as the board is concerned there is no more money available", the ROH said yesterday.

The pay offer involves a basic rise of 4 per cent plus an additional supplementary payment of £4 a week, bringing the maximum pay to £188.80 . ROH chorus members want parity with their counterparts at the English National Opera who earn a minimum rate of £190 a week.

The ROH said that while the board today might consider a revision involving increased allowances, it was not raising its basic offer of 4 per cent. It said that any further increase would risk upsetting 1,000 other employees who have already settled for 4 per cent. It would also undermine what it described as its "perilous finances" as a result of a cut in funds from the Arts Council.

Equity yesterday accused the management of getting its priorities wrong. "All we are asking for is comparable money for comparable work. We are talking about the leading opera house in the country and we would expect the management to pay number I money for a number I chorus".

The two-week dispute has led to the indefinite postponement of the opening of the new season. Cancellations so far have included Falstaff, La Boheme, and three performances of Tannhauser, including one scheduled for Monday.

Delegates express merger doubts

LIBERAL uncertainties about the proposed merger with the SDP surfaced repeatedly during an emotional debate, which ended with a resounding majority in favour of a motion setting out the party's starting point for merger talks.

The mood of the 2½-hour debate was summed up by Ms Maggie Clay, of the Association of Liberal Councillors, who told delegates: "This party has established that it wants merger. "But many of us will fight and fight if we feel in any way that we are being sold down the river, that Liberal principles are being sacrificed or that anything but a 'ground-up' democratic party is going to emerge."

The main reservation among speakers in the debate was that statements of policy might be built in to the foundations of the new party. Delegates applauded several of those who argued that the party should be built on principles - policy determination should be left to its members.

Mr Des Wilson, the party president, suggested that the solution might be to adopt the 1987 Alliance election manifesto as "the starting point for urgent and radical policy development by the new party."

Delegates approved by 988 votes to 21, with nine abstentions, a 465-word motion setting out the "key constitutional features" of the new party - one member, one vote, national membership lists, a leader elected by all members, a federal structure, representative assemblies, a constituency basis of association and the right of special interest groups to form autonomous associations.

Reports by TOM LYNCH and RALPH ATKINS. Pictures by ALAN HARPER

The motion seeks full consultation across the country and instructs the national executive to set up a negotiating team consisting of the party leader or his nominee, the party chairman or president and eight members to be elected by the assembly today. The Scottish and Welsh parties will be entitled to send one or two representatives each.

Opening the debate, Mr Tim Clement-Jones, the party chairman, said the talks were an "historic chance" to reunite the Liberal and Social Democratic traditions in British politics which had divided between the Liberal and Labour parties after the First World War.

But the most enthusiastic ovations of the day, highlighting doubts in the minds of many, were for an emotional speech by Sir Russell Johnston, the MP for Inverness, Nairn and Lochaber, who sounded a lament for the end of the Liberal Party, and an anti-merger speech by Ms Claire Brooks (Skipton), who warned against giving too much power to the new party's leadership.

Sir Russell, the pro-merger leader of the Scottish Liberal Party, said there should be "some grief with the joy" over the move towards the new party. He told the negotiators they had a duty to get the merger terms right. To lose the spirit of Liberalism would be to lose "everything we have worked for, so hard, so long and in the face of so much criticism."

Ms Brooks said: "Don't let any policy pact be a part of the founding of this new party." She feared the use of such a device to harass unilateralists within the party and voiced concern over statements by Mr David Steel, the Liberal leader, that he favours some aspects of the SDP constitution. "Their constitution is oligarchic, centralist, authoritarian, deliberately designed to preserve power in the hands of an elite."

Mr Wilson supported the proposition that the new party should be built on principle, because policies had to change with time and circumstances - for example, he had accepted a commitment on nuclear defence in the 1987 manifesto which might not be valid by the time of the next general election.

However, he argued that the fears of some SDP members on policy questions must be addressed by Liberals and suggested that the 1987 election manifesto, which Liberals had fought on only a few months ago, should still be acceptable to them.

The assembly decided not to carry out a ballot of English members on the principle of merger after delegates argued that it would delay the negotiations and that a decisive conference vote was enough to organise the talks.

Delegate in jeopardy over gun replica

THE TIGHT security at the assembly was highlighted by a delegate who said police had warned him his life would be "in grave danger" if he flourished a toy gun without warning.

Mr Paul Simple, of the Young Liberals, produced a 99p model of a Mauser automatic pistol, bought in a toy shop at Banbury, Oxfordshire.

He said the toy had caused such concern at the entry to the conference hall that it had taken him half an hour to get in, with the warning from a police chief inspector ringing in his ears.

During a debate on the Hungerford killings, he carefully produced the toy with its wrapping and told conference it had been sold as unsuitable for children under five. "I don't believe it is suitable for a child of any age. It epitomises a society which glorifies killing."

Mr Simple also produced a magazine called Air Gunner, featuring on its cover a teenager with a rifle, dressed in a combat jacket and a Rambo-style headband. "It is a disgrace that a few weeks after the killings in Hungerford a magazine such as this, which glorifies this sort of character, should be on sale."

He argued that everyone carried some blame for the Hungerford tragedy, because people had tolerated the "brutalisation" of their society by allowing the sale of violent and pornographic material.

The assembly carried a motion urging the Government to press ahead with its promised review of gun law, including an assessment of whether ammunition or semi-automatic rifles should be allowed in private houses.

Divergent factions manoeuvre for position in merger talks

Calm before the merger storm? David Steel at work on a speech on his hotel room balcony in Harrogate

PETER RIDDELL on the complex battle surrounding Liberal-SDP negotiations

AFTER the debates, the battle of the negotiations has now started. Liberal delegates will today elect members of the negotiating team, while on Monday the SDP's national committee will choose its side.

In both cases there is considerable manoeuvring for position among internal factions. Some of the internal Liberal argument has been subsumed into canvassing for the rival slates.

From the establishment side there are former presidents and close allies of Mr David Steel such as Mr Richard Holme and Mr Alan Watson and Mr David Hughes from the association of parliamentary candidates.

The tribunes of the grassroots are likely to include former MP Mr Michael Meadowcroft, retiring party president Mr Des Wilson (presumably in his role as outsider rather than insider) and Ms Maggie Clay, organising secretary of the Association of Liberal Councillors. There are also candidates backed by the Women's Liberal Federation and the Young Liberals.

The ALC-backed candidates are arguing that no decisions should be taken on the policy of the new party until after it has been set up. This contrasts with the view of both Mr Steel and Mr Robert Maclennan, the SDP leader, that a joint declaration on a policy stance should be issued before a merger vote. This is a confusing area in which subtle nuances take on an exaggerated significance.

Given the size of the probable negotiating team - not far off 30 in total from both sides - there will be representatives of all groups.

The SDP's problems are different. The anti-merger group led by Dr David Owen has so far had a majority on the national committee. Dr Owen has said he will not obstruct the negotiations.

But the pro-merger group remains suspicious about whether this policy will prevail in practice, notably among some of Dr Owen's more enthusiastic allies. The balance of the national committee may have shifted. A number of people who voted in last month's ballot for "option one" (closer links with the Liberals falling short of merger) now back the talks, including Mr Maclennan himself and Dr Dickson Mabon, as well as former MP Mr Ian Wrigglesworth. Some opponents, such as SDP whip Mr John Cartwright, will not attend Monday's meeting.

Mrs Shirley Williams, the SDP president, has made it known that if there is any threat of obstruction she will appeal over the heads of the anti-merger group to local party activists.

In a speech on Wednesday evening, Mr Bill Rodgers said: "It would be indefensible for any Social Democrat to seek to impede behind closed doors a process of negotiations openly approved."

The SDP negotiating team is likely to include Mrs Williams, Mr Wrigglesworth, Dr Mabon, possibly Mr Rodgers and local council, regional and special Scottish and Welsh representatives.

There is still uncertainty about how the teams will be led. Mr Steel is hardly a details man and talked on Tuesday about putting those involved in a locked room. By contrast, Mr Maclennan, the architect of the SDP constitution, prides himself on such nitty-gritty and sees himself as a guardian of the SDP's integrity in the talks.

The danger is that if the talks run into trouble Mr Steel will be a one-man court of appeal when that should be the role of both leaders.

Industry strategy 'like failed 1960s ideas'

A MOTION on Liberal industrial strategy was only narrowly passed by the assembly yesterday after being attacked as outdated, against Liberal traditions and like a "dish of cold porridge."

The motion - which repeated ideas set out in the party's general election manifesto - pledged Liberals to a "positive industrial policy" with government acting in partnership with industry and unions. It was passed by 437 votes to 412.

The 51-line motion called for an industrial strategy Cabinet committee and for laws to force companies to declare research and development spending in annual reports. Other ideas included financial incentives for training schemes, the setting up of regional development agencies and an enlarged Office of Fair Trading to enforce a strict competition policy.

Mr Richard Holme, a member of the party's policy committee, said the motion demonstrated that Liberals understood the needs of industry.

"We seek a strategy arrived at by consultation. We seek practical help from practical men. We seek in the economy as a whole what we seek within each firm," he said.

He attacked the Government for failing to create a true framework for competition and criticised the sale of state monopolies like British Telecom. These, he said, raised money for the Government but did nothing to help wealth creation.

He said that although official figures published on Wednesday showed manufacturing output was now higher than in 1979, it was still below the level of 1974. This reinforced the need echoed by the Confederation of British Industry for an industrial strategy.

But Mr Trevor Jones (West Dorset) said the motion included ideas too like the failed industrial policies of the 1960s which would be outdated in any merged party.

"This mish-mash has no place in a new party for the 1990s," he said. Liberals traditionally argued the importance of individuals in the economy.

"You cannot solve Britain's problems by setting up another Cabinet committee under a different minister to the last one. It is the British people who will solve the economic malaise of Britain, not the Government."

He called for greater emphasis on a entrepreneurial culture - "not another dose of 1960s Wilsonian economic mismanagement."

The policy set out in the motion was, he said, "a 20-year-old dish of cold porridge."

Some support, however, was given by Lord Ezra, former chairman of the National Coal Board. He argued for establishment of a "competitive framework" followed by steps to regenerate industry. This would include increased investment, more joint public and private sector ventures, expanded training and an enhanced civil research effort.

Mr Matthew Taylor, MP for Truro, admitted the motion contained only a collection of ideas and little vision. But he said Liberal policy on the economy was in the early stages of development.

He said it offered the chance to apply grassroots Liberalism to an industrial strategy.

"We need to concentrate on policy that allows local business to develop and create permanent local jobs," he said.

Michael Cassell on the career of Lord Tordoff

Backroom peer to the fore

Lord Tordoff lives up to his title of "working peer."

GEOFF TORDOFF can hardly be included among the ranks of open-toed, woolly-hatted, badge-bearing Liberals who lend a certain piquancy to their party's annual assembly.

Neither does Lord Tordoff, the party's Chief Whip in the Upper House, fit the caricature of an aging, tweeded Liberal peer. He will be 59 next month, and is used to people assuming that his relative youth implies his peerage must be hereditary, which it is not. "I am afraid it is the automatic conclusion if you are under 70."

But he is acutely conscious of the rich mix of personalities which makes up his party and is concerned to ensure that any political machine which emerges from the Liberal-SDP negotiations always has room for its eccentrics. "They are part of its character, its charm and its strength. Whatever lies ahead, they have a role to play."

This week, the former chemist whose allegiance to Liberalism was sealed by Jo Grimond's stand against the Suez invasion, played a pivotal role in the merger debate. On Tuesday, he chaired the key session on the need for a new party and then worked late into the night to help produce the motion which went before delegates yesterday.

Though he was criticised for his handling of the few anti-mergerites, Lord Tordof's calm countenance and self-deprecating humour helped set the tone for a realistic, well-measured debate. He believes the whole week has helped prove that the Liberal Party has "grown up."

"We have become much more experienced, largely because we now have so many people in local government and the party has this week shown itself to be extremely self-restrained. Everyone realises that a great deal is at stake," he says.

A Mancunian who spent 30 years in a marketing role with Shell Chemicals, Geoff Tordoff, as he is known by delegates, has been in the Lords since 1981. He was in fact the last Liberal to be included in a list of working peers and the Prime Minister's refusal to add any more to his hard-working team is a source of considerable annoyance to him.

He admits that his entry to the Lords was, in a sense, the "second prize" in politics, having fought three times for a seat in the Commons. In 1966 his agent was none other than Tony Greaves, now a leading Liberal activist and professional thorn in the flesh of the party hierarchy.

Ever since the early 1960s, Tordoff has been involved in the party organisation, first at regional and then national level. He was chairman of the assembly committee in the last year of Jeremy Thorpe's leadership, a role he repeated under David Steel.

In 1976, he became party chairman, a post he held for a three-year period which embraced the Lib-Lab pact. He has no regrets about that arrangement - "we learned a great deal about government and showed the country we had a positive contribution to make" - and says he would not be opposed to repeating the exercise in times of national crisis.

Lord Tordoff was also chairman of the party's campaign committee in 1979 and 1983, acting as a troubleshooter and providing a link between the leader and the party. Perhaps his greatest strength lies in his ability to feel accurately the pulse of the party, something which has rarely been more important than now.

He is sure the merger will happen, though the going over the next few months will not be easy. He expects an acceptable compromise over just how far policy issues should be pursued this side of a merger but accepts that matters like defence and the desire for a federal structure for the new party will cause a certain amount of anguish.

But he is anxious that the new party turns outwards to the public as soon as possible. "We cannot waste time in getting across a fresh identity to the electorate. There is a revolution going on, which promises to be much, much more exciting than we ever dared hope.

"The question is whether the two parties have the ability to work together and pull off something which has a chance of changing the shape of British politics. I think they have and I think we will."

Spycatcher reading goes silent

LIVE BBC television coverage of the conference was interrupted when Mr Paul Nicholls (Norwich North) began to read an extract from Spycatcher, the book by Mr Peter Wright, the former security service officer.

Mr Nicholls had earlier challenged the BBC in a letter to ignore the Law Lords' decision upholding the Government's injunction against publication of excerpts from the book. "It will be a sad act of political censorship extending an already impressive injunction still further in its scope to silence the broadcast of a debate of a major democratic political party."

However, as Mr Nicholls, holding aloft a copy of the book, read aloud an extract from page 369, the BBC cut sound transmission on its broadcast to keep within the terms of the injunction.

Mr Nicholls told delegates that allegations about the activities of some intelligence officers in the 1970s were a legitimate matter for political debate.

A motion calling for the Government to withdraw its injunction was carried with only two votes against.

City agrees sale of market to developer

By Paul Cheeseright, Property Correspondent

THE CITY of London Corporation opened the way for a £500m urban redevelopment scheme when it agreed to sell the 11-acre site of the historic Spitalfields market to a consortium led by London and Edinburgh Trust.

Neither the City nor the consortium yesterday would specify the price until the contracts are signed. The sale depends on the approval of the full City council and the agreement of Parliament to move the market to a site bought by the consortium at Temple Mills, three miles away.

The Spitalfields fruit and vegetable market, although owned by the City Corporation, is in the borough of Tower Hamlets and was recently the site chosen by Prince Charles to call for a crusade to rescue deprived inner city areas.

Redevelopment of Spitalfields and the construction of the new market at Temple Mills, which will cost £24m, could both start in early 1989, provide the bill to relocate the market gains Royal Assent.

Three groups had tendered for the purchase of Spitalfields:

- The winner, Spitalfields Development Group, which comprises London and Edinburgh Trust, Balfour Beatty and County and District Properties, with London and Metropolitan as project manager.
- Rosehaugh Stanhope, which is developing Broadgate, the massive office complex at nearby Liverpool Street station.
- Spitalfields Regeneration Project, a group of architects and consultants put together by Priests Marian Holdings and recently joined by Sir Robert McAlpine, the construction company.

Spitalfields Development Group for three years has consistently made the running on the project. It had hoped a year ago to persuade the City Corporation into a negotiated sale. It had the distinct commercial advantage over its rivals that it had accumulated sites along Bishopsgate which gave the market site a direct opening to the City of London.

The development package Spitalfields Development Group has agreed with the Tower Hamlets planners covers 1.75m sq ft of space, of which 810,000 sq ft is office accommodation. The rest is a mixture of housing, shopping, industrial units, a fashion centre, community centre and law centre.

This is a compromise, which has been controversial locally, between the desire of the planners for more housing and the need of the developers for as large an office content as possible to ensure the financial profitability of the project. At one stage Spitalfields Development Group had proposed 1.27m sq ft of offices.

The consortium claims that the borough's income from rates will rise from £250,000 to £10m a year as a result of the development.

Air traffic disrupted as computer fails

By Michael Donne, Aerospace Correspondent

AIR TRAFFIC into and out of London's Heathrow and Gatwick Airports was disrupted for several hours yesterday when software for the main computer at the West Drayton air traffic control centre became unserviceable during the traffic peak.

Some inbound flights were diverted to near Continental airports and outbound traffic was delayed. Air traffic controllers reverted to manual control.

Computer control was restored by about 8 am but there were delays for some time as the backlog of flights was cleared.

The engineers only the previous day called off a work-to-rule dispute with the Civil Aviation Authority over pay and conditions.

The CAA denied that the computer failure had anything to do with the dispute with the engineers. However, it agrees that some of the West Drayton equipment is ageing and liable to faults.

Replacement of the main West Drayton computer is part of a £200m programme now under way to improve air traffic control equipment.

Grants to local authorities to be streamlined

BY JOHN HUNT

A STREAMLINED system of paying the annual government grant to local authorities will be introduced when the community charge, the so-called poll tax, comes into force, Mr Michael Howard, Local Government Minister, told the Association of District Councils conference yesterday.

This was being done so that those paying the charge would be able to receive a simplified annual rate demand giving them full details of any overspending by their authority.

Mr Howard said: "I believe that accountability is the key to any reform of local government finance. The first priority must be to restore the link between those who vote in local elections, those who use the local services and those who pay for those services."

Mr Howard will soon publish simplified proposals for providing government grants to local authorities. He said these would make community charge bills easier to understand and make very clear the relationship between council spending and the amount levied by a local authority.

The bills would spell out exactly what people should pay if authorities spent at the level the Government considered appropriate. They would show the total cost of local-authority services, the amount of grant going to an area, its share of the business rate and the amount of the community charge.

"This means that everyone will see what is really going on in the finances of their local authorities," said Mr Howard. "In that way local authorities will be fully accountable to their electors."

The green paper on poll tax proposals for England and Wales suggested the Government should pay a standard grant, of a fixed amount per adult, to local authorities, and a needs grant, to compensate them for variations in spending.

Mr Howard said the Government had now decided to have a single grant, called the revenue support grant. This would simplify explanation to community-charge payers and clarify accountability.

THE GOVERNMENT plans to increase its spending on repair and maintenance of council homes by 9.2 per cent next year, writes Andrew Taylor. It wants local authorities to increase its share of spending by a similar amount, equivalent to a £1.60-a-week increase in rents.

The spending proposals for 1988-89 were announced yesterday in two consultation papers published by Mr Nicholas Ridley, Environment Secretary, and Mr Peter Walker, Welsh Secretary.

Merger discussed by two more City solicitors

BY HAZEL DUFFY

DURRANT PIESSE, solicitor, yesterday confirmed it was discussing a merger with Lovell White & King. Talks have gone on for several months. A deal may have the consent of partners from both City firms by the month's end.

Durrant Piesse, formed by merger in the early 1970s, has grown fast in the past few years. It has 32 partners and specialist legal divisions in banking, financial services and litigation, as well as property and commercial divisions. It was the first British firm of solicitors to open a branch in China.

Lovell White & King has 68 partners. It ranks at the lower end of the City's top 10 firms. Its interest in Durrant Piesse is probably in adding banking and financial expertise to its range of legal services.

A growing trend to mergers of City solicitors emerged after Clifford Chance was formed from the union of Clifford Turner and Coward Chance this year.

Deregulation of financial services was a factor causing solicitors to search to see how they could satisfy demand for services. At the same time the City is increasingly demanding highly-specialist legal expertise.

The position is complicated by the shortage, emerging in the past three years, of good graduates entering the profession.

Shopping centres policy tightened

By Paul Cheeseright, Property Correspondent

THE GOVERNMENT yesterday tightened its policy against the construction of large shopping centres outside urban areas.

It sent a draft circular to local authorities reiterating its stand that such centres have no place in green belts and stressing that they are not acceptable in the open countryside.

The draft circular said exceptions may be made if shopping centres are planned outside urban areas where they reclaim derelict land and where they will have diffuse impact on existing shopping centres. "Such cases are likely to be few," it says.

An example of such a development is Cameron Hall's MetroCentre at Gateshead, Tyneside.

The Environment Department is inviting comments on the draft circular by November 20. The submissions will then be considered and a definitive circular sent to local authorities.

This would provide the basis of the policy which local authorities would be required to apply when considering planning applications for out-of-town shopping developments.

The Government's move is intended to clarify what many local authority planners, confronted with a rash of planning applications, had seen as a messy policy. Government planning policy is geared towards economic development but it has constraints on environmental grounds.

If the draft becomes definitive it is likely to thwart plans put forward by individual developers for a series of shopping centres along the M25 London orbital motorway.

Yesterday Prudential Corporation started an information campaign to win support for one such plan at Hewitts Farm, near Orpington, Kent.

In another aspect of its retail planning policy, the Government seeks in the draft circular to weld shopping developments into its effort to promote urban regeneration.

The modernisation and refurbishment of town centres, especially where this involves the use of derelict land, is welcome, the draft circular said, but there was an implicit warning to local authorities not to stifle new developments

The draft circular says: "Only in the case of very large developments, or where several major developments are being considered concurrently, are the effects likely to be so substantial as to raise serious questions about the future of nearby town centres."

Unemployment total falls to 2.8m

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S official unemployment total, seasonally adjusted and excluding school-leavers, fell by 43,300 in August to stand at 2,833,000, the Employment Department said yesterday.

That took the decline in the past year to 376,000, which the department said, was the largest on record. The total has been falling consistently since June 1986, and government statisticians showed the latest monthly decline is close to the underlying trend.

The official jobless total, however, is still around 1.7m higher than when the Conservatives took office in 1979. That increase is considerably more if changes in the compilation of statistics and the expansion of special job measures are taken into account.

The improving trend in the labour market has been fairly evenly spread between regions in the last year, with only Scotland and Northern Ireland recording falls in their jobless rates of less than one percentage point. The biggest gains have been made in the West Midlands and in the south-west.

Large regional disparities remain, however, with an unemployment rate of 14.1 per cent in the north of England compared with a rate of 7.2 per cent in the south-east. In spite of the fall in the past year, the West Midlands still has a jobless rate of 11.3 per cent against a national average of 10.2 per cent.

Separate figures for employment show a suprising drop of 17,000 in the number of jobs in manufacturing in July. Officials believe, however, that the figure is erratic and point out that if the latest three months are taken together employment in manufacturing was stable. That compares with an average monthly fall of 4,000 in the previous three months

Surging manufacturing output in the last few months has been reflected in strong gains in productivity, which in turn have offset some of the impact of buoyant earnings on unit costs.

In the year to July output per head in manufacturing was up by 7.2 per cent. During the same period, average earnings rose by an underlying 8.25 per cent, up from the rate of 7.75 per cent at the start of this year.

There are, however, signs that the pace of growth in unit costs has accelerated. In April, for example, wages and salaries per unit of output in manufacturing were fractionally below the level of a year earlier while in the 12 months to July there was an increase of 1.7 per cent.

The department's unadjusted unemployment total showed a fall of 41,000 during August to 2,868,000. That figure, however, excludes 115,670 school-leavers who are not yet allowed to claim benefit.

The impact of the special job schemes in reducing the unemployment total is reflected in a 65,000 increase over the last year in the numbers of the Youth Training Scheme to 380,000 and in an 18,400 rise in those on adult schemes to 376,000.

No figures are available for the impact of the Restart programme on long-term unemployment.

Invisible earnings offset trade imbalance

BY PHILIP STEPHENS

A WIDENING gap in Britain's trade in manufactured and other goods in the first half of 1987 was offset by a further rise in its earnings from its overseas assets, financial services, tourism and shipping.

The Trade and Industry Department said yesterday it had revised upwards its estimate of the surplus on trade in such so-called invisibles during the first six months of the year to £4bn, from the £3.4bn published earlier this month.

It emphasised that the figures were still tentative, but on the basis of the latest information it appeared that the overall current account during the same period showed a small surplus of £498m against previous estimates of a £90m deficit.

The latest statistics, however, do show a marked deterioration in Britain's external position between the first and second quarters. A visible trade deficit of £1.13bn between January and March more than doubled over the next three months to £2.36bn. That deterioration appears to have continued in recent months.

That meant that while the current account was in surplus for the first half of the year as a whole, there was a deficit of £174m in the second quarter.

Mr Nigel Lawson, the Chancellor, said yesterday that the current-account deficit for the whole of 1987 was now expected to be below the £2.5bn shortfall he had forecast in his March Budget.

The continuing improvement in the invisibles balance reflected a marked increase in earnings from services, particularly those in the financial sector, and a substantial rise in the net surplus on overseas investments.

- In separate figures released yesterday, the department said that capital spending by manufacturing industry, measured in 1980 prices, rose by more than 14 per cent to £1.9bn in the three months to June compared with the previous three months. That left it 10 per cent higher than a year earlier.

The rise provides evidence that industry is responding to the upturn in demand by investing more in plant and machinery. That follows a prolonged period in which investment has been flat, and the volume of capital spending is still substantially below the levels seen in 1979.

Dollar stability accord is Lawson priority

BY OUR ECONOMICS CORRESPONDENT

BRITAIN'S priorities at this month's international meetings in Washington will be to secure a reaffirmation of February's Louvre currency accord and to increase aid to the poorest African nations, Mr Nigel Lawson, the Chancellor, said yesterday.

Briefing journalists ahead of the annual meetings of the International Monetary Fund and the World Bank, Mr Lawson said he was confident that February's agreement by industrial countries to stabilise the dollar would remain in place.

He rejected suggestions that recent pressure on the dollar as a result of a renewed rise in the US trade deficit would force the Group of Seven leading industrial nations to alter their informal target ranges for the principal currencies. The exchange rates of those currencies were very little different from those at the time of the last IMF meeting in April, "so I see no reason to move the goalposts at all", he said.

Mr Lawson said governments had fulfilled their commitments under February's agreement and he expected no important initiative at this month's talks. He was concerned, however, that the prospective reduction in the US Budget deficit this year should be repeated in 1988.

The pace of growth in West Germany, meanwhile, was still "very disappointing", and it was important that the Bonn government should continue to press ahead with its tax- reform programme.

The Chancellor said he was determined to push on with his debt relief plan for the poorest countries of sub-Saharan Africa, in spite of opposition to aspects of the proposals from some other Western governments.

The plan, which involves translating some existing official loans into grants, extending the maturity of other loans and setting concessional interests, was essential to prevent the debt burden on many countries from rising to intolerable levels.

Britain would also support proposals for a large increase in the IMF's structural adjustment facility, which provides concession financing to the poorest countries.

Max Wilkinson continues a series with an analysis of a sensitive sector of the energy industry

Political risks of putting nuclear power into private hands

NOW FOR the really big one: "As a result of the Government's most daring privatisation offer yet, you can become part owner of Britain's newest nuclear power station.

"You will receive no dividend for 10 years, but if all goes well, you or your family could reap steady profits well into the next century. The yield on your investment over 35 years could be as high as 7 per cent after inflation, even though shareholders will eventually have to pay for dismantling."

The idea of such an advertisement is by no means fanciful although the Government's plans for privatising electricity do not envisage selling off individual nuclear reactors.

Even so, any prospectus for the sale of the electricity industry would require investors to take a view on its nuclear sector, which produces 16 per cent of Britain's electricity, and might produce a fifth by the mid-1990s.

There is no reason why nuclear stations should not be moved to the private sector, provided that the independent Nuclear Installations Inspectorate remains in charge of the all-important safety regulations.

However, after the disaster at Chernobyl in the spring of 1986, the Government must be wondering whether the public would be happy with the idea of putting nuclear power into private hands.

The majority of this power still comes from elderly Magnox stations, a first generation gas-cooled reactor. The eight stations south of Scotland, with a combined capacity of 3.5Gw (1 Gigawatt= 1,000 Mw) will gradually be phased out over the next 15 years. Since they are cheap to run the only question for a potential investor is how long the safety inspectors would allow them to keep going. An extra five years' life could yield a total benefit of about £1.5bn, two and a half times the industry's after-tax profit for last year.

The judgment of safety experts having such a large potential impact on the industry's profits is bound to focus investors' attention on the plans for new investment in nuclear plant, particularly in view of the continuing problems in commissioning the latest of the advanced gas-cooled reactors at Dungeness B, Hartlepool and Heysham 1.

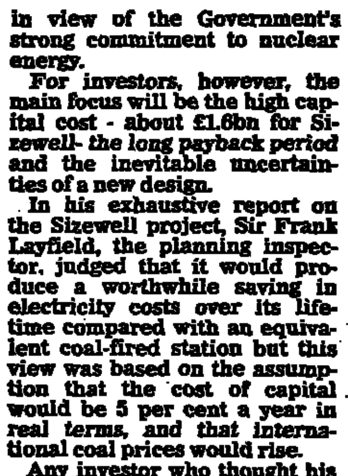
Largely because of these commissioning problems, the Central Electricity Generating Board is building its first Pressurised Water Reactor at Sizewell in Suffolk. This is based on an extensively modified licence from Westinghouse of the US.

The experience of Electricite de France shows that PWRs of this type can be built on time and commissioned rapidly.

However, the British nuclear industry has yet to prove it can emulate the performance in France, where 44 nuclear stations are producing about 70 per cent of domestic electricity needs as well as an increasing volume of cheap exports.

France's consumers have been told that nuclear power will enable electricity tariffs to be reduced by 1 per cent a year in real terms until the end of the century.

In three to four years' time, when British electricity is expected to be packaged for sale, the CEGB's performance in building its first PWR may be clearer. Shareholders - or their board - will then have to decide



whether to allow the CEGB's successor to proceed with its plan for about five stations starting with the second at Hinkley Point on the banks of the Severn in the early 1990s.

This will be a decision of strategic importance, particularly in view of the Government's strong commitment to nuclear energy.

For investors, however, the main focus will be the high capital cost - about £1.6bn for Sizewell- the long payback period and the inevitable uncertainties of a new design.

In his exhaustive report on the Sizewell project, Sir Frank Layfield, the planning inspector, judged that it would produce a worthwhile saving in electricity costs over its lifetime compared with an equivalent coal-fired station but this view was based on the assumption that the cost of capital would be 5 per cent a year in real terms, and that international coal prices would rise.

Any investor who thought his capital should earn, say, 10 per cent would probably prefer a coal-fired station at half to two-thirds of the price.

From an economic point of view, therefore, it makes little difference whether new nuclear reactors were offered for sale individually or as part of a larger generating company. In either case the private sector investor whould have to decide whether to forgo earnings on the capital cost for perhaps a decade or more in the hope of a longer-term benefit.

In view of the big political risks of nuclear power, the private sector would probably want to see a better track record than the UK nuclear industry can provide so far.

In the face of this uncertainty, the Government has three options

The first would be to keep nuclear power in the public sector. The second would be to frame regulations to allow electricity companies to pass on some of the capital costs of nuclear stations to consumers via electricity prices, during the building phase. The third would be special subsidies or favourable tax treatment of nuclear projects.

These ideas would all weaken the effects of a free market in electricity. A state-owned nuclear company would dominate the industry's capital plans. No private sector company would dare build a coal-fired plant in direct competition, because whatever it cost to build, the nuclear plant would have much lower marginal costs and would be run in preference to a coal station at off-peak times.

Any arrangement which allowed the preferential recovery of nuclear capital costs, would be difficult to devise and would run counter to the hope that privatisation will make the industry more responsive to wider economic forces. That leaves subsidies, which would be the most open way of promoting a political priority, but would not be popular with the Government.

In spite of these difficulties, it would be a mistake to believe that private sector electricity companies are inevitably antipathetic to nuclear power.

Privately-owned utilities in Japan have ambitious nuclear plans. Even in the US, where no nuclear plant has been proceeded with since 1973, most existing reactors were built and operated by the private sector. Many observers believe that when the economics of power generation swings back in favour of nuclear power, US utilities will start ordering again.

The private sector could prove to be keenly interested in nuclear power, but a lot tougher with its financial tests.

Rolls-Royce consortium to inspect Sizewell reactor

ROLLS-ROYCE says it is to inspect the Sizewell B nuclear reactor during construction for the Central Electricity Generating Board, under a contract worth between £5m and £10m, writes David Fishlock.

The contract has gone to Rolls-Royce and Associates, the defence consortium led by Rolls-Royce that builds pressurised water reactors for the Royal Navy.

The consortium will provide the CEGB with the same kind of inspection service as it gives the navy as part of its 'cradle-to-grave' service for the nuclear submarine fleet. It is commissioning a new pressurised water reactor, prototype of the reactor for the Trident submarines, at the Naval Reactor Test Establishment, Dounreay.

The consortium has orders to supply the reactors for the first two Trident submarines.

Rolls-Royce and Associates has built more than 20 PWRs for the navy under a technical agreement with Westinghouse and the US Navy.

The consortium, which includes Babcock International, Foster Wheeler and Vickers Shipbuilding and Engineering, will develop inspection technology specifically for the Sizewell B pressure vessel, which is much bigger than Navy reactors.

It will inspect the vessel before it leaves the production line at Framatome in France, and again when the CEGB has installed it at Sizewell in Suffolk. Its contract runs until 1993, when the reactor is scheduled to produce power.

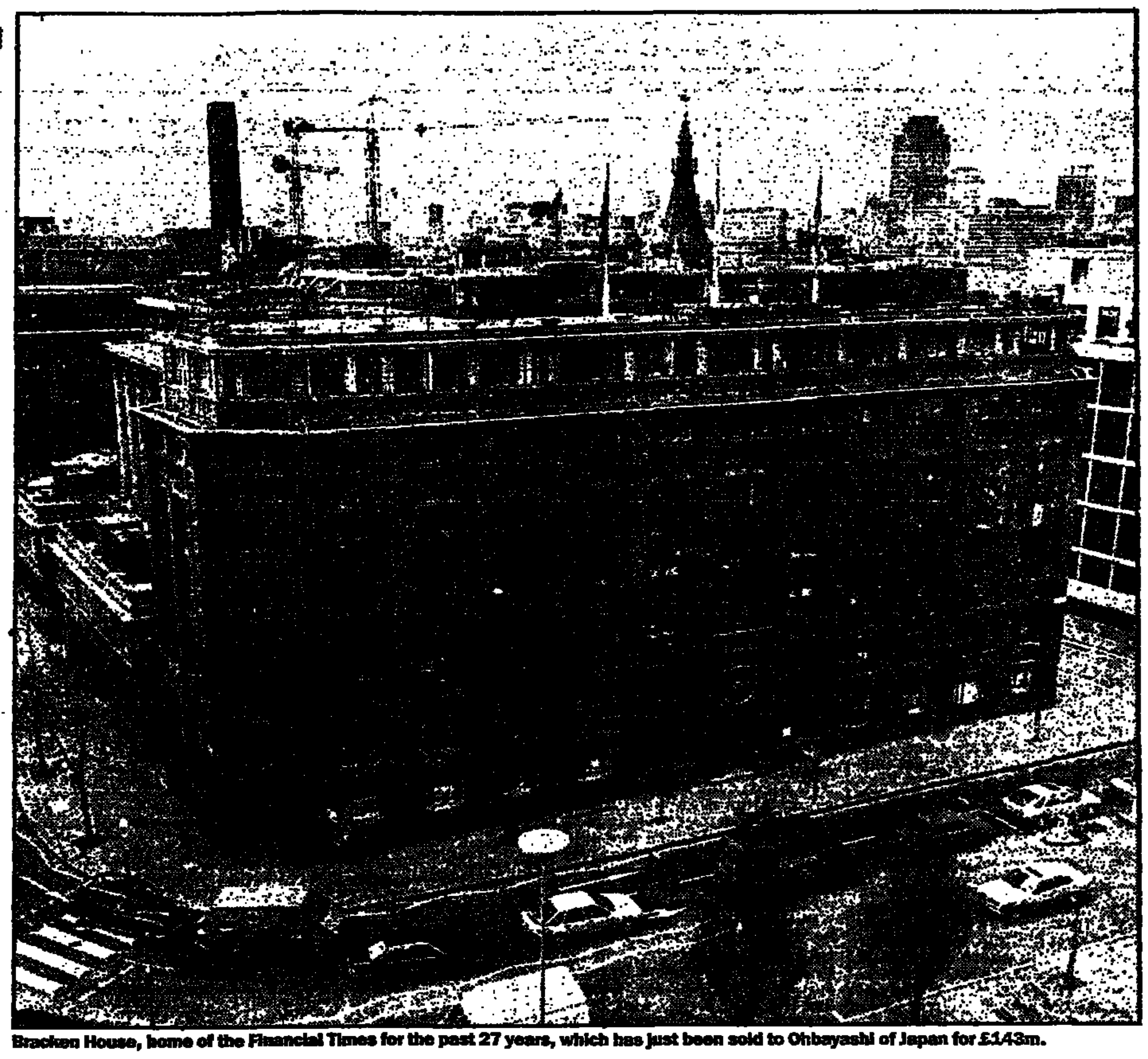
Mr David Dawson, managing director of Rolls-Royce and Associates, said the company would be applying expertise gained for the navy in the civil nuclear power programme.

He also disclosed a second Sizewell B contract, for the design, procurement and operation of a 'harsh environment' test facility at Derby to simulate the conditions that might arise in a reactor compartment in a serious accident

FINANCIAL TIMES

SURVEY

Confidence has returned to the UK market for office property in many parts of the country, led by an upsurge in central London rents and demand from the financial services sector in particular. New types of premises are becoming available in response to the search for cleaner, greener environments and changes in planning rules. **Paul Cheeseright** reports.



Bracken House, home of the Financial Times for the past 27 years, which has just been sold to Ohbayashi of Japan for £143m.

Office Property

CONTENTS

The chase for space

CONFIDENCE HAS seeped through the different layers of the national office property market as growing demand has pushed rents higher and as over-supply outside London has been taken up.

But the market itself is changing as the demands of tenants become more exacting. Accommodation costs generally have continued to increase and there is a growing insistence among occupiers on value for money.

At the same time, new types of premises are becoming available from the growth of business parks as a response to a search for cleaner and greener environments and from changes to the Use Classes Order, which, under planning legislation, specifies the use to which buildings may be put.

But the fact remains that the market can be split into central London and the rest of the country. The greater part of institutional investment in offices is concentrated on London and it is in the centre that the most dramatic deals have been struck and developments undertaken.

The mainspring has been the growth of the financial services industry which has created demand both from the players in the game and those who support them - the lawyers, accountants and so on.

This growth, however, has spread out into the regions as the financial institutions have set up new branches and moved their back offices out of London.

Even in the fevered atmosphere of central London though, the development market has at least three strata. An apparently insatiable demand for space has sent potential occupiers chasing a still limited supply of new buildings coming on to the market, so that the pre-letting of large new premises has almost become a norm.

The planning authorities - more so in the City of London than Westminster - have responded to the demand by granting planning consents which, if they are followed through, could result in a better equilibrium between space supply and demand by the early 1990s.

A massive expansion of space is taking place in the City itself. And its boundaries are being pushed out as offices sprout south of the River Thames and in London Docklands, where the Canary Wharf project is now assured by the arrival of Olympia & York and where new developments in the Royal Docks are only just over the horizon.

It is at this stage that the three strata become apparent. The chase for space by potential occupiers has sent developers scurrying to buy sites so that they can meet it. Land values have been chased upwards.

The highest stratum is rarified, occupied only by Japanese companies who have seemed prepared to pay almost any price for the site they want. Ohbayashi, with its purchase of Bracken House, the Financial Times Building, for £143m., fits into this category. It is significant that the underbidder was willing only to pay less than £100m.

The second and middle stratum is occupied, again, by Japanese companies but also by foreign banks, as owner occupiers, who are prepared to pay very high prices to obtain the buildings and sites they require.

They would tend to work within the same financial framework as British developers - they would do the same sort of sums on the economics of a project - but they would apply different criteria. That is, what looks expensive in London may well appear to be cheap by Tokyo standards.

The third stratum is filled largely with British developers, forced now to compete with foreign interests but having at the same time to keep a wary eye on their balance sheets. They would be the victims a downturn in the market: a heavy debt burden to service and an unlet expensive building is something they would devoutly wish to avoid.

Operators in all three strata have been helped by the ready availability of finance. A distinct characteristic of the market has been the readiness of the international banking community to put up short to medium term money to cover development costs, in a growing array of sophisticated instruments.

The greater part of the development taking place, outside the owner occupier sector, is in the hands of property investment companies. But the property investing institutions have also remained in the market for the buildings put up by developer-traders.

Indeed, the proportion by capital value of City of London offices in the average institutional office property portfolio increased to 35.8 per cent by the end of last year from 25.3 per cent in 1980, according to analysis by the Investment Property Databank.

Only 15 per cent of institutional office investment is outside the South East and this is one factor behind the relatively sluggish office development market over the rest of the country. But this could change. There is some evidence that investment interest is creeping outwards.

Hitherto fears that it would be difficult to sell on speculative office developments has held back speculative ventures, especially against a background of relatively low rents.

But strengthening demand and the absorption of over-supply, which in some centres had been shrouding the market, has been pushing up rentals, opening up the possibility of higher returns to developers and hence the possibility of new ventures.

In the areas around London rents have been rising quickly as companies have eschewed the expense of the centre and have been more willing to look at peripheral locations. Although areas like the Thames Valley have always been popular, the office growth, aided by better roads communications, has begun to move eastwards and southwards, towards the M1 and M11 corridors and towards Southampton.

Elsewhere in the country, extra demand has frequently come from companies seeking larger premises rather than from the arrival of new companies. Such indigenous growth has itself been a response to movements in the economy at large.

But it has also been a response to the changing needs of tenants. A recent report by Healey and Baker, surveyors, on the basis of a survey of office tenants, significantly showed that in the south 61 per cent of tenants would pay more for better designed accommodation if they could find it. In the Midlands 57 per cent would pay more and in the North 42 per cent.

Implicit in the results of this survey is a challenge to the office developers and a warning that it may not be much use in the future putting up any old building and assuming that it will be leased, provided it is in a convenient location.

It is noteworthy that in Glasgow, for example, that the office market has not strengthened as much as it might have done because companies are tending to stay put: there simply have not been the new high standard developments available for them to move into.

Facilities, design and convenience may become as important as being in a traditionally prestigious location. Behind this is a growing consciousness among employers that losses of efficiency can be caused by so-called building sickness.

This sickness is a condition of physical malaise - headaches, runny noses and so on - that are present among some occupants of a building but which disappear when they are not in it.

It is an emotive subject. But, at the end of the day, it is associated with the fact that in some buildings, the air conditioning does not work properly, there is a lack of individual control of the immediate environment and the physical surroundings are perceived to be unfriendly.

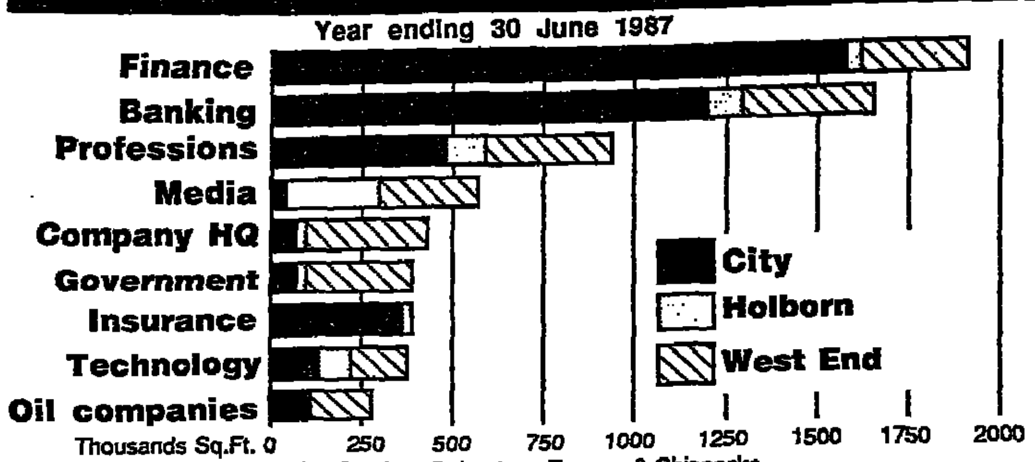
There is then a call for higher standards of design and a better working environment. One response to this need has been the expansion of out-of-town business parks and campus offices. So far this phenomenon, an extension of the US experience, has largely been confined to the south and has not spread further north than Birmingham.

With the greater flexibility that the Government has permitted in the use of buildings, by changing the Use Classes Order, light industrial and high tech buildings can be used for offices without the need to obtain planning permission. It seems likely that the parks first designed for high tech industry could become increasingly popular office locations.

All of this points to a sector on the move. But, historically, the sector has been notoriously cyclical, moving from boom to bust and back again. The boom now is based on London. Elsewhere the cyclical movement is gentler. But there at least a few people in the industry wondering when the next turning point will come.

OFFICE PROPERTY 2

Office space taken by business sectors



Source: Research & Information Services Debenham Tewson & Chinnocks

West End/Suburbs

A wave of relocations

WHILE ALL EYES were concentrating on the epic mystery *of whether the City would be si*phoned into into Docklands, impatient financial groups were quietly slipping out in the opposite direction. Some took a short hop, helping to transform the no-man's-land of Holborn and Fleet Street into another boom *town.*

Goldman Sachs and Morgan Guaranty moved into the old-newspaper district while the sites were still warm. Peat Marwick and Coopers & Lybrand sidled *in nearby* and Nikko looks set to replace News Interna*tional.*

Rents have soared to £36 a sq ft and should hit £45 by the end of the decade, according to agents Richard Ellis, with sites like Holborn Station and Robert Maxwell's Holborn Circus set for high powered bids from groups *still looking* for space.

But the exodus has not stopped here. The wave of relocation has washed as far west as Victoria as tenants search des*perately for bigger modern* buildings. And this fervour has helped raise the whole West End to record rent levels.

A quarter of all the finance and banking lettings in central London over the last year were in the West End, according to *Debenham Tewson & Chin*nocks. This included a third of the big buildings more usually associated with City fringes like Broadgate and London Bridge City.

Only a couple of years ago, Salomon Brothers shocked the market by taking Greycoat's 200,000 sq ft over Victoria Station, breaking the pattern of locating near the City. Now banks are dotted all along unlikely locations like Victoria Street and *The Strand.*

Salomon's £19 a sq ft is looking increasingly cheap as First Bank of Boston and Nikko Securities have agreed rents upto 32.50 a sq ft for two buildings totalling 125,000 sq ft on Victoria Street.

Cynics still believe these banks will move back into the City as space comes free. But of the eight groups that have moved in during the last year, *only* two are building alternative homes elsewhere, according to Jones Lang Wootton.

Salomon certainly seems set to expand in Victoria, as it looks for 125,000 sq ft out towards the M25 to relocate its Mortgage Corporation.

*But for all the financial pyro*technics, traditional tenants remain the West End's lifeblood, taking up something *like* 80 per cent of the space let this year. The booming economy rather than the Big Bang have boosted their fortunes, pushing rents in Mayfair and St James' up by about a third in 1987 to more than £45 a sq ft *for* small suites and over £30 for larger space.The pre letting in King Street of 30,000 sq. ft. to Inch*cape at £41 a sq ft reflects* the same tendency of tenants to get in while they see space free. *The situation can only get tigh*ter, according to Richard Ellis, which sees 4.5 m sq ft in demand over the next 18 months but less than 2m. sq. ft available today and another 1.4m. *sq.* ft. coming on *stream* next year.

Rapid rent rises are pushing companies out further to find new space says JLW. This has in turn raised values in *places like* Kensington, where the £18.50 paid by the Daily Mail for Barkers store last year is already at least £2.50 below the going rate.

West London has become an extension of the growth axis *from the City through the West* End and out as far as the M25 and Heathrow. It will not be long before the £20 rent barrier is broken, as Sun Alliance has already let 86,000 sq ft to Cadbury Schweppes in Uxbridge for £19 a sq ft and Kodak has taken *a 53,000 sq ft refurbished* block in Hammersmith for £17 a sq ft.

In fact, the healthy London economy is improving demand right across the capital, with many suburban centres like Croydon, Harrow and Bromley seeing their first rent hikes for-some time as the final vestiges of surplus office space disappears.

David Lawson

Design and development

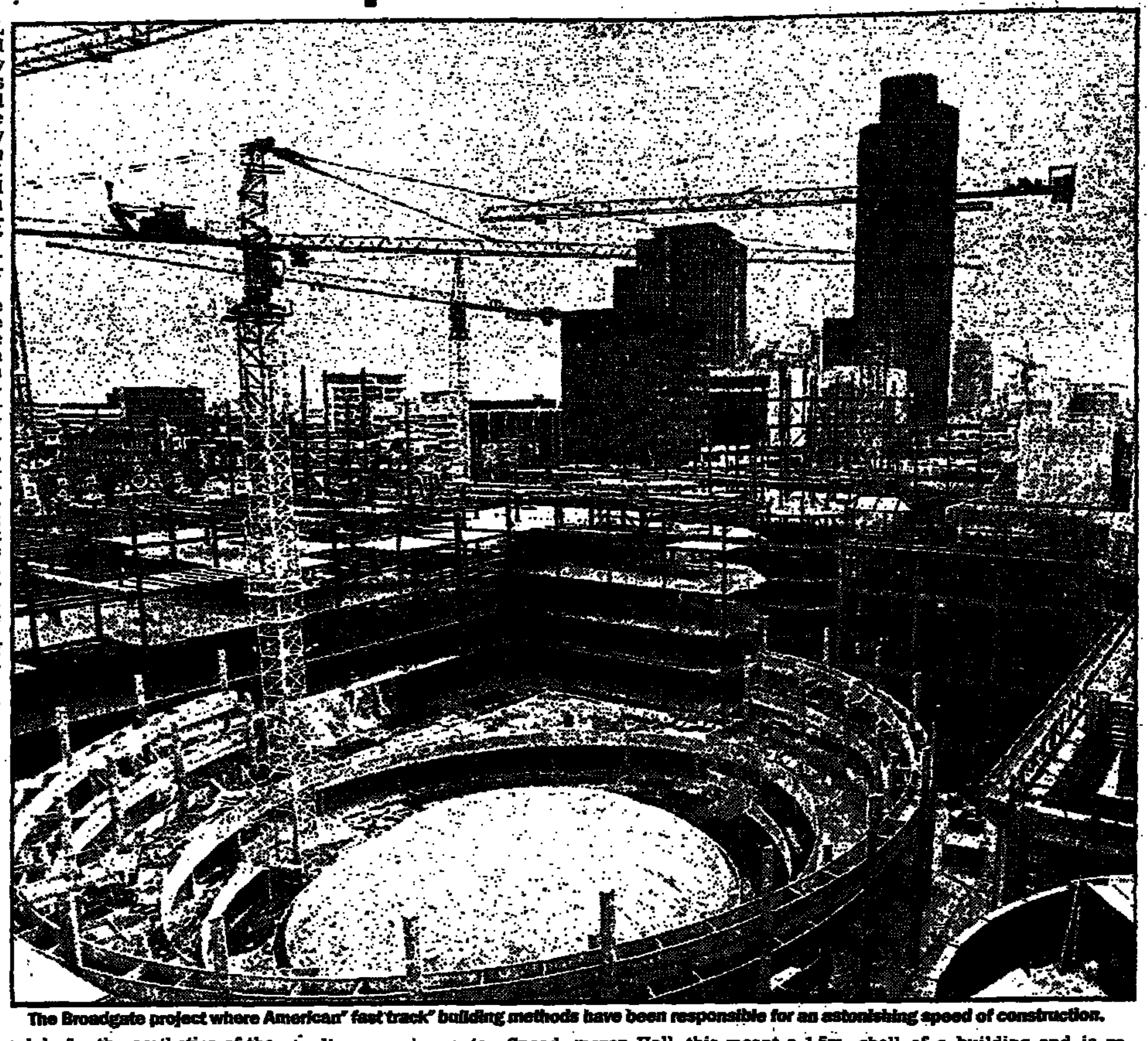
US methods speed construction

WHEN INTERNATIONAL property giants Olympia and *York took over* the £3bn Canary Wharf project in London's Docklands from its original banker backers on 17 July, the uncertainties which accompany *major changes of this kind soon* gave way to a measure of relief. The Canadian company, owned by the three Reichmann brothers, has a reputation for *soundness* and *for 'delivering'* which bodes well for a development which earlier this year was beginning to look doubtful.

"We never make promises we cannot keep and we do not take on projects unless we are sure we can do them well and on time", Paul Reichmann said on the morning of the day the master building agreement was finally signed. He went on to say that O & Y would probably com*plete Canary Wharf in 5-7 years,* rather than the 10-15 year period previously envisaged. Certainly O & Y's track record indicates their capacity to do this; they have several management and background advantages as well. Firstly, the brothers began *as importers of supplies to the* building industry, and indeed one of them still runs that side of the business. This gives them an important understanding of the construction side of development which others lack.

Being a private company run *by very private men, they also* rely first and foremost on an in-house team, headed by project manager Michael Dennis and Ron Sosklone, who is in charge of the *architectural* side.

O & Y's approach to architecture is guided by past experience of dating and early obsolescence of the innovative designs of yesteryear. American Ware Travelstead, whose idea Canary Wharf was, wanted to *create a 'showcase of the best in* the architecture of the late 1980s'. To this end he planned to commission the top names in world architecture to create individual masterpieces to slot in the overall masterplan.



The Broadgate project where American' fast track' building methods have been responsible for an astonishing speed of construction.

The Reichmanns also believe in architectural quality, as much for pride as for profit. But *as they retain overall manage*ment responsibilities for their properties, other consider*ations must be taken into* account. According to Ron Soskolne, O & Y are looking for buildings which can be leased - and maintained - for decades to *come. For this, the design must* be 'timeless' and flexible. Long-term considerations are also behind greater use of expensive but hard-wearing materials like marble and copper.

O & Y's favourite way of achieving the quality of design they require is by holding limited competitions. Participants, which include young practices which are 'talent spotted' by the company, get between two and *eight weeks and between* $10,000 and $20,000 to produce designs - but not fancy models and drawings.

It was just such a competition *which yielded the Cesar Pelli* designs for Manhattan's World Trade Centre: Pelli had impressed Ron Soskolne with his work on a competition in Los Angeles in 1980.

Having selected an inspired winning design, O & Y find that time and trouble are saved if the winner is then responsible solely for the aesthetics of the project, while other can speed matters through the working drawing , contract document and constuction phases.

Happily, Britain will not have to wait for O & Y to arrive and demonstrate faster construction methods. A Reading University study in 1979 found that UK projects took an average 70 per *cent longer to build than Ameri*can counterparts - but since then much has changed. 'Fast track' building methods from across the Atlantic have been taken on board by the industry and have already accounted for the astonishing speed of construction projects like Broadgate.

The principle is to bring the contractor on site early, well before design work is complete, *to advise on 'buildability'.* The project teams then works together, with much less of the traditional inter-professional infighting, and the building pro*gramme is based on the logic of* the development rather than on traditional, sequential lines.

According to Simon Kolesar of quantity surveyors, E C Harris, the stimulus to adopt faster building methods came from American financial houses, seeking early occupation for their post-Big Bang London trading requirements. Speed was aided by early pre-ordering and off-site pre-fabrication of components, 'so that once the contractor arrives on site, he can work as quickly as possible."

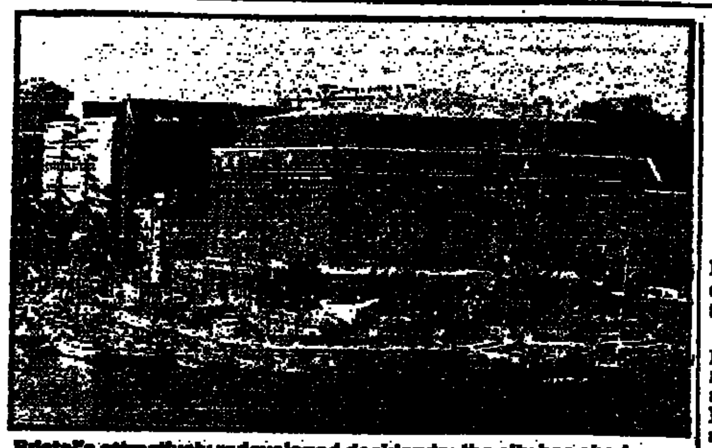
"Two or even three-shift working is also usually necessary", Kolesar says, "and the client will probably end up paying *more in wages - but the project* overall will be cheaper and ready to let earlier". Fast tracking, especially with penalties for late completion, concentrates the mind wonderfully, as Ken Patton, regional director of Rush & Tompkins, readily admits. "When working on the £150m Metrocentre in Gateshead, we had to adopt a flexible approach throughout the contract period. For the client, Cameron Hall, this meant a 1.5m sq ft shopping centre built in 23 months - at least nine months less that if we had used traditional contracting procedures."

"There is no doubt that early contracter participation *could* well be the key to any project's success", agrees Derek Hammond, chairman of Project Management International. "But the *contractor must be assured that* information flow will continue to meet technical on-site requirements throughout - and that is the responsibility of the independent project manager".

Hammond also notes that another American method which is rapidly becoming popular, especially on major projects in the City of London, is "shell and core" construction.In this instance, the client takes over the shell of a building and is responsible for the fitting out. This too is a fresh challenge to the UK industry, he says.

"Typically, the developer's project may cost £2m - but the *tenant's fitting out contract* could cost £3m or more. The shift in emphasis of responsibilities is obvious, and so is the responsibility of the industry to *minimise confusion. The devel*oper's contract must provide for early access for the tenant's fitting-out contractors. The deal established between developer and tenant must reflect current market conditions and the overall project manager may well hold the key to ensuring that benefits at all times outweigh the inconveniences.'

Mira Bar-Hillel



Bristol's attractively redeveloped docklands: the city has shed the huge surplus of space built in the last boom.

The provinces

Top quality is in demand

IT HAS BEEN a long, hard slog for Britain's leading provincial centres over the last five years as they have climbed painfully out of a pit dug by overdevelopment and slow business growth. Most are now over the worst, however, and rents are drifting upwards as good space becomes scarce again.

Development is under way in centres such as Birmingham, Manchester, Glasgow and Southampton, while Bristol and Reading have shed the huge surplus of space built in the last boom.

Finding an institutional investor to look seriously at a provincial scheme can still be difficult, however. The problems are not so much with local economies, which are often so bustling that tenants are having problems finding prime space. The attractions of the London region are just too powerful to justify the train fare.

That may change where demand overtakes supply. In Bristol, for instance, demand has risen for three years while development has slumped. However, Hartnell Taylor Cook say investors have broken their two year embargo now that rents have reached £9 to £10 a sq ft and yields are falling.

This is one of the few centres still attractive to companies relocating from the southeast. Lloyds is the latest arrival, with plans for a 200,000 sq ft headquarters on Canons Marsh. Others could be in the pipeline as London prepares for another round of departures.

But, like other centres, Bristol will be hard pressed to provide high quality space. Only 400,000 sq ft is available, and much of this is already under negotiation. The formula is also right for new development in Birmingham, where Chesshire Gibson say all space will be used up this year and the £10 mark will be breached by the next generation of buildings.

Pre-lets will be the order of the day, as new schemes will not be ready for two years.

Many centres are paying the price of earlier booms, with a backlog of obsolete space that will have to be refurbished to meet new demands. Local professionals who make up the bulk of demand for provincial offices have raised their standards, and it is sometimes the lack of good buildings which is holding back rents.

In Leeds rents have reached £7.25 a sq ft but a developer brave enough to invest in raised floors and air conditioning could command £9 according to Knight Frank & Rutley.

The same affliction holds back Glasgow, even though rents have grown from £7.50 to £8.50 a sq ft in a year. Richard Ellis believes it could achieve £12 with the right sort of top quality space.

The picture is the same almost everywhere outside the southeast. Institutional investors are less interested in property in general, but when they dip in their fingers it tends to be in London or the growth centres around the M25.

The provinces tend to be left to local developers serving local business. The locals should not complain too much. Rents are set on a rising trend as space disappears, and as long as the big guns keep out there is less chance of another big surge ofoversupply to hang around like an albatross during the next downturn.

David Lawson

City of London

Trouble down the pipeline

MONSIEUR PATRON cancelled his holiday plans again this summer.

The owner of one of the City's premier lunch clubs risked irrevocable marital breakdown and a gastronomic shock as the Loire was scratched in favour of a working trip to Tokyo.

But the dangers seemed unavoidable. He had hardly finished rewriting his menus after last year's working holiday trawling around Wall Street's watering holes, when the word came through that it was not American bankers but the Japanese who would be elbowing out his pinstriped City regulars.

Eyes had already been turning east to identify Big Bang invaders as companies like Kumagai Gumi began to snap up the best sites. Ohbayashi brought outsiders into the picture when headlines blasted out the £143m it paid for the FT's Bracken House close to St. Paul's.

The illustrious restaurateur can be excused his excitement. He is only reflecting the mood of his City customers who seem to expect miracles from the newcomers. Developers have gone into overdrive to create a massive potential supply of office space over the next five years, mainly to feed the international financial groups.

But is their optimism justified? On the surface, the picture could not look more rosy. Rents have almost doubled in the last couple of years to average £52 a sq ft for larger buildings and touch £60 for small suites. The financial groups have soaked up 2m sq ft in the last year and have reserved just about everything else coming out of the ground.

But some doubters fear that trouble could be around the corner. Almost 22m sq ft of new City offices is in the pipeline, representing about 40 per cent of all the existing stock. Piled on that will be the 18m sq ft proposed for Docklands, as Canary Wharf can no longer be ignored now that Olympia & York has put its financial muscle behind the scheme.

Questions are being raised whether this is too much for the City to swallow as demand fades following the Big Bang surge. Supply and demand will come into some sort of balance by the end of the decade and whispers of a crash reminiscent of the 1970s are sending shudders around the market, particularly as interest rates seem so volatile.

But gross supply figures can be misleading. Baker Harris Saunders and County Bank went to a great deal of trouble recently to show that funding was secure, partly because the huge shadow of new supply is not all it seems. Almost 60 per cent of the new space would merely replace old buildings rather than add to the stock, according to their research.

Displaced tenants would also take almost 13m sq ft as replacement premises. A mere 2 per cent increase in demand per year for five years would soak up the rest of the space.

Agents like Richard Ellis, which forecast the rent boom a few years ago in the face of some scepticism are just as sanguine, relying on a feel for the market as well as research. But they still preach caution.

Roger Lister, gesturing vaguely through the windows of RE's offices high above the City, admits: 'Some agents out there need to be careful. They don't remember what a bear market was like. They would be shocked to have to drag lots of potential tenants around their buildings.

Short memories indeed, considering the recently dark days of the early 1980s. But Lister himself sees no sign of demand abating, with take-up at least matching last year's 4.6m sq ft. Preletting is still the norm, he says, as tenants plan their needs up to five years in advance, so the projected balance of supply and demand could be pushed back further. But he still advises developers against putting up the old fashioned deep space buildings which cannot be split easily if big tenants do not materialise.

Many will go even further and refuse to start building until they have a prelet according to Jones Lang Wootton, another leading City agent. Blocks set for demolition can be kept in business while tenants are producing rents.

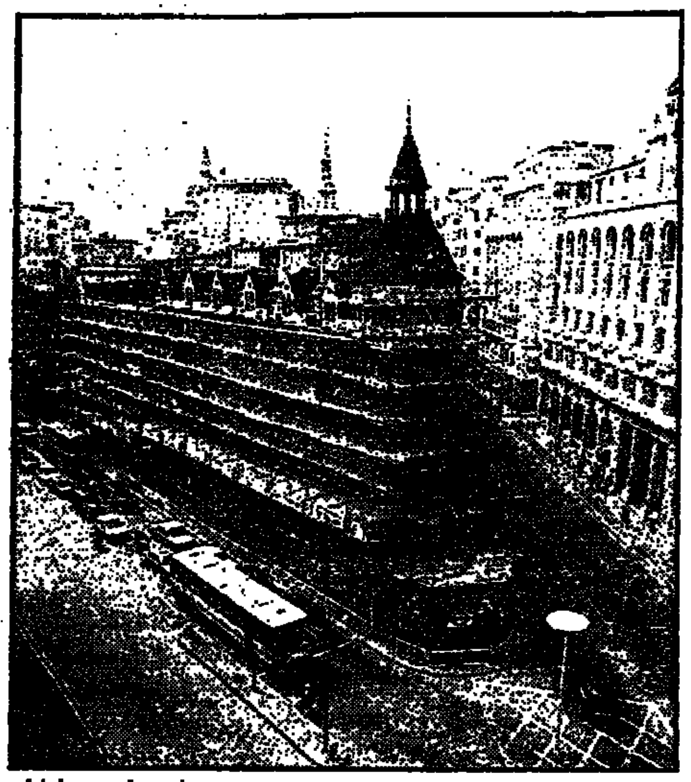
In fact, some schemes which swell potential supply figures are doubtful because they still have tenants. Owners may face more trouble than they suggest in getting around the leases so they can redevelop.

All these caveats should ease the fear of a flood of empty space engulfing the City in the 1990s. Much of it will simply not be built because there are not enough potential tenants

Geoff Marsh, head of research group; APR, points out that 140 buildings of more than 100,000 sq ft are planned for the next five years. Yet there are only 250 companies in the whole of London with the sort of staff numbers to fill such space.

Surprisingly, it is the biggest buildings which have least to fear. Up to 30 companies could be in the market for up to 500,000 sq ft each in the next five years, he says. The smaller ones will rely on 'Little Bangs' the reorganisation of professional groups like solicitors into bigger firms. APR has identified at least 15 law businesses which need major new premises.

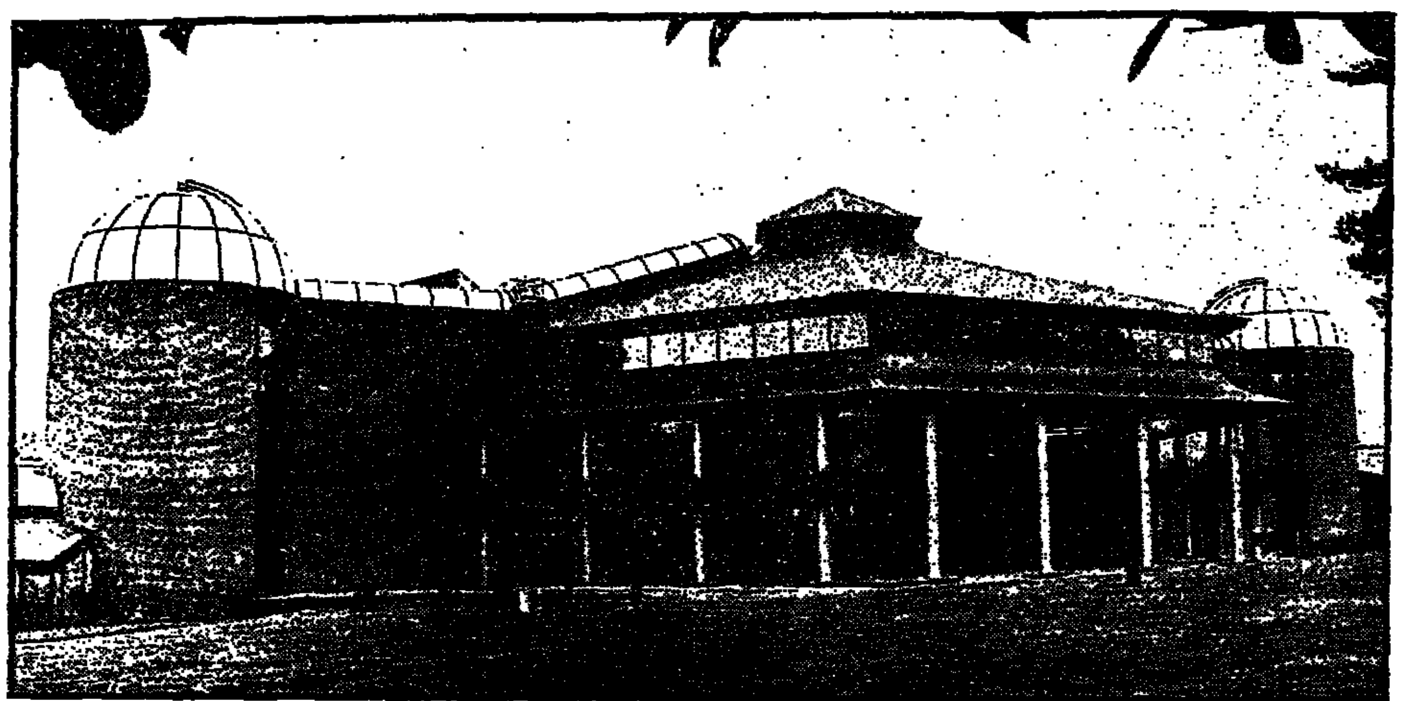
But everything will still depend on the health of the core financial markets, so each blip in interest rates or withdrawal of a securities dealer from the fray raises pulses. The Americans and Japanese are certainly a new driving force for which Monsieur Patron should adjust his menu. But he would do well to keep the steak and kidney pudding on the back burner as well. **David Lawson**



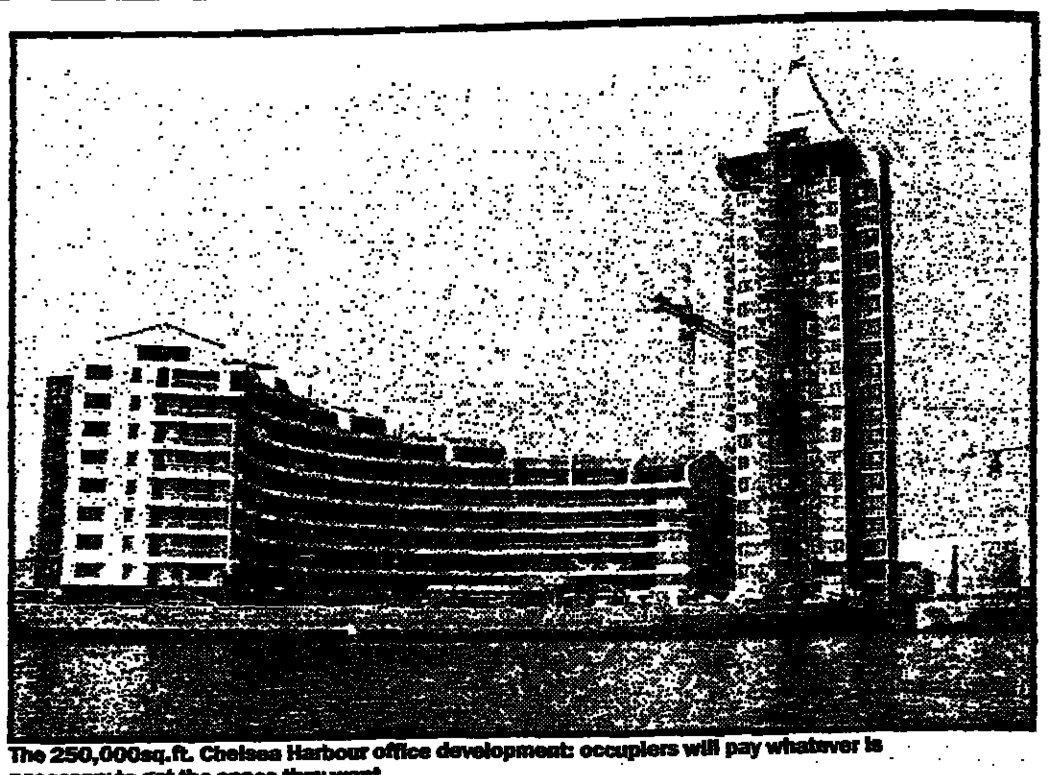
Redevelopment by the Mansion House: no less than 140 buildings of more than 100,000 are planned in the City over the next five years. Questions are being raised whether this is too much for the City to swallow

The occupiers

The right space in the right place



BOC's own advanced glass-coating technology has been extensively used in its purpose built head office at Windlesham in Surrey. Around 200 people work in the building which is set in 50 acres



The 250,000sq.ft. Chelsea Harbour office development: occupiers will pay whatever is necessary to get the space they want.

THE OFFICE market in London and the south east of England is booming. Record take up levels, fuelled by unprecedented demand in the post Big Bang era, are resulting in shortages of accommodation in most sectors.

New development and refurbishment has reached an extraordinary rate as developers desperately struggle to catch up with the market.

The dramatic increases in office rents which have resulted from the shortage of space and the continued growth of other occupation costs have done little to cool the ardour of occupiers for more and more space and commentators report that for most large occupiers rent is a minor consideration.

Rents of £60 a sq ft plus are rumoured to be achievable in the best locations in the City of London, rents in prime West End stand at £45 a sq ft and in Victoria £32-£35 a sq ft is the norm.

In favoured business locations elsewhere in the south east rents of £11-£19 per sq ft are paid for new space in prime sites.

According to a recent report from agents Richard Ellis total occupation costs in the City are now estimated to be around £75 a sq ft, and in the London's West End £49.20 a sq ft.

But, for many companies currently seeking office space this is the least of their problems. Space is in such short supply that just getting the right building (in terms of specification and design) in a location in which they can do business is more important, says Jones Lang Wootton's Michael Dow. Companies are not greatly diverted from their purpose by even very large rents, he comments.

Design is an increasingly important factor for occupiers. A recent survey from Healey & Baker showed that 55 per cent of office tenants in the UK would be willing to pay more for a better designed buildings. In the south the figure was 61 per cent.

Out of London rent and occupation costs are considered after design and location alongside a number of other factors including shopping and leisure facilites, communications, environment, availability of yonng labour force and schools.

Similarly, the financial services sector which is making most of the running in central London's busy office market at present is far from rent sensitive.

Urgency has added a further dimension to the problems of securing the right space in the right place as these companies seek to set up new operations to tap new openings as quickly as possible. These three criteria have practically overridden all cost considerations for companies from this sector.

Other occupiers seem equally unperturbed by rental levels. Before marketing the 250,000 sq ft of offices at Chelsea Harbour, Jones Lang Wootton researched the impact of rent on the decision making process of occupiers in the design field.

The agents discovered that, within certain bands, the occupiers are willing to pay whatever is necessary to get the space they want in the place they want it.

But, the current situation may not last. Some commentators warn that occupiers are becoming increasingly concerned about the high costs of their office accomodation.

While rents have escalated, other occupation costs have risen less dramatically. Service charges have remained relatively stable for a number of years. Indeed, the proportion of total occupation cost taken up by service charges has actually fallen yet occupiers are already aware of the potential savings to be made from efficient buildings and their effective management.

The success of Jones Lang Wootton's recently established Facilities Management department is proof of this trend. In contrast to an agents traditional role of management for landlords, JLW are now offering a management service for tenants aimed at minimising costs.

A number of factors are likely to combine to ensure that rent becomes afar more important factor in the office market of the future. Firstly, in central London, the financial world has become more competitive since deregulation of the City, commissions have been slashed and there has already been witnessed the withdrawal of certain operators from specific financial markets.

Further rationalisation looks certain. Under increasing pressure to perform many financial companies will inevitably begin to scrutinise their overheads. Other sectors will follow.

The result may be a further upheaval in the property world as firms seek to reduce their expenditure on property. The largest corporations may seek to move their support functions out of central London, while smaller companies contemplate wholesale relocation.

Secondly, when the new rental levels work their way through to rent reviews, existing occupiers will face significant hikes in their rent bills, prompting a number of companies to look for less expensive locations or accomodation.

This trend may have started already. Unconfirmed reports suggest, for-example, that Laporte Industries' recent decision to leave its Hanover House headquarters on Oxford Street has been prompted by a rent review. Laporte will move to a refurbished office building on its manufacturing site in Luton early next year

The problems of rising rental levels and service charges could, however,be overshadowed by the forthcoming changes in the rating system. Occupiers are viewing with trepidation the commercial rate revaluation and the introduction of the Uniform Business rate in April 1990.

So much uncertainty still surrounds these two aspects of the Government's rate reform policy that it is impossible to predict the impact they will have on office property. It is feared that the new system could significantly disrupt the balance between office locations and types.

Certainly, the City of London is concerned about the effect the new level of rates might have on its standing as a major international financial centre. The City Corporation is lobbying the Government for more information.

Rates on some City buildings could more than double, an increase which could not fail to have an impact on occupiers who do not need to be in the area.

In general, according to Michael Capon, a ratings expert at Edward Erdman, 'tenants of offices that have not been refurbished are likely to see reduced rate burdens while modern offices and good refurbishments may well see increases'

One would expect a period of low inflation and high profitability to engender a trend towards owner occupation. But, in spite of strong demand from potential owner occupiers, the lack of opportunities is restricting the growth of this market.

Increasingly owner occupiers want more specialist buildings than are provided by speculative developers and as a result the market in the last two years has been dominated by demand for sites and redevelopment opportunities for purpose built offices for owner occupation rather than purchases of existing buildings.

A number of major deals have been concluded in central London, for example, including Morgan Guaranty's decision to pay more than £90m for the two acre City of London School site in EC4 where consent has been given for over 400,000 sq ft of space; and Goldman Sachs puchase of the former Daily

Telegraph building on Fleet Street, EC4, which is to be redeveloped to provide 300,000 sq ft plus.

A number of other financial occupiers are known to be looking for an equity stake in new buildings for their own occupation.

Meanwhile, a handful of major companies have decentralised from Londonto purpose-built owner occupied buildings in the the provinces, such as Sun Life of Canada which moved to a 150,000 sq ft building in Basingstoke last year and Chase Manhattan, whose 400,000 sq ft Bournemouth headquarters complex is under construction.

Other companies, particularly those which need a manufacturing base as well as an headquarters, prefer purpose-built units on the new generation of business parks built along the lines of those in the US. Nixdorf, for example, has paid over £1m an acre for a 15-acre site for its UK headquarters on Bride Hall/ PosTel's Park One scheme in Bracknell.

But, occupiers seeking to acquire sites for purpose-built properties have to compete with developers. In the past the owner occupier often had the edge in financial negotiations because his calculations did not have to take any profit margin into account.

In the current market, however, developers are taking a bullish view of rental growth during the development period and potential owner occupiers are frequently outbid.

Although a number of owner occupiers were interested in Thorn EMI's former West End building, for example, it was sold to a developer. John Edgcombe of agents Hillier Parker points out that none of the occupiers were willing to match the developer's bid.

One route to acquiring a freehold is the 'country house' type headquarters, but this route can present difficulties and most occupiers prefer modern, efficient officespace

Often impractical and expensive, the country house usually comes with restrictions on where and how partitions can be put up and extensions built, outmoded heating and ventilation. In addition they can be miles from anywhere. In spite of being many a managing director's dream, these buildings actually have limited appeal as headquarters although they do make ideal training or management centres.

In general the country house only really works as an headquarters if it can form the centrepiece of a larger 'office campus' type development of new buildings, such as Monsanto's 80,000 sq ft facility in Basingstoke (where the house itself provides just 12,000 sq ft of executive accommodation) which was built some years ago. It is, however, usually difficult to get planning consent for any development in the vicinity of the house.

The flip side of the high level of demand for long term commitment to bricks and mortar is a growing requirement for shorter leases. The flexibility and control afforded to occupiers by five rather than 25 year-leases makes them attractive to all tenants, but particularly tooverseas companies (because it suits their tax system) and fledgling businesses.

There is also demand for short term agreements from occupiers which, unable to get what they want now, have taken one of the increasingly common prelets and need to be accommodated until their new building is finished.

Jill North of Hillier Parker's City office identifies two buildings Winchester House, London Wall, and Gillette House on Basinghall Street,which are currently occupied on short leases by tenants signed up at the massive Broadgate scheme at Liverpool Street Station.

Both of these buildings are currently the subject of planning applications for redevelopment so the short term let suits the landlord as well.

Indeed, it is apparent that a number of institutional landlords are begining to appreciate the advantages of granting shorter leases. Part of a trend towards active management, shorter leases enable a landlord to revitalise his investment rather than having his return trail towards of the end of the lease. According to David Baker of Edward Erdman, landlords are often happy to grant 10-15 year leases, although they still shy away from the 5 years or less often prefered by occupiers. However, while the shortages of space prevail landlords can continue to offer and let properties on standard 25 year leases.

Linda Welch

APPOINTMENTS

British Alcan director of finance

BRITISH ALCAN ALUMINIUM has appointed Mr S.R.C.Albuquerque as director of finance. He joined Alcan in 1960, and has been responsible for operations in Latin America since 1984. He was also a vice president and board member of Alcan Aluminio do Brasil.

*

Mr James Millen, a director of The McCann Consultancy, has set up his own financial PR business, JAMES MILLEN ASSOCIATES.

*

Dr Ingram Lenton, former chairman of Bowater Industries, has joined the board of CHAPMAN INDUSTRIES as a non-executive director.

*

COOPERS & LYBRAND has appointed 25 partners and directors in its offices throughout the UK. Audit: Mr Chris Appleton (Bournemouth); Mr John Berriman, Mr Nick Parker and Mr Andy Popham (London); Mr Martyn Boddy (Manchester); and Mr Ed Smith (Uxbridge). Tax: Mr Lawrence Niven (Leicester); Mr John Gwyer (London); and Mr Nick Hopkin (Norwich). Management consultancy: Mr Bill Bound, Mr John Collings, Mr Richard Sidery, Mr Russell Muir and Mr Mike Stanton (strategic services division, London); Mr Bruce Hucklesby (commercial services division, London); Mr Lynton Barker (government services division, Manchester); Mr Thomas Cuttill (manufacturing and distribution, Manchester); and Mr Bob Millar (manufacturing division, Uxbridge). Business services group: Mr Jonathan Wackett (Leeds); Mr Peter Jacobs - also corporate finance support services - (London); Mr John Leonard (Newcastle); Mr Robert Knight (Reading); and Mr Paul Singleton (Sheffield). Mr Andrew Mainz (London -legal support); and Mr Sydney Richardson (director of planning).

*

Mr Gwyn Phillips has been appointed financial director of DIX BELGRAVIA in addition to his role as company secretary.

*

Mr Barry Towers has been appointed director and general manager of BIGGS WALL (NOVATEK). He was director of European operations of Gelman.

*

Mr Peter Jones, previously manufacturing director, has been appointed director and general manager of INGERSOLL LOCKS, part of the Alumasc Group.

*

THE ROYAL BANK OF SCOTLAND has appointed Mr David R.Butterworth as head of credit control, central credit control department, London, in succession to Mr Colin Kramer who has become head of group risk management. Mr Butterworth was assistant chief manager of the bank's Threadneedle Street office.

*

LLOYDS BANK STOCKHOLDERS has appointed Mr Robert A.D.Froy as deputy managing director. He was chief executive of Montagu Loebl Stanley. Lloyds Bank Stockholders is a wholly-owned subsidiary of Lloyds Merchant Bank Holdings.

*

DUNLOP-BEAUFORT, a BTR Group company, has appointed Mr Jon Wilson as managing director responsible for both Dunlop Marine Safety, and Beaufort Air-Sea Equipment based in Birkenhead. He was director and general manager of Dunlop Graphic products. Mr Wilson succeeds Mr Andrew Thomson who has been appointed director - technology services, BTR Europe.

*

Mr K.N.Templeton has been appointed group financial controller at TI GROUP. He joined TI

Mr Ken Templeton, TI group financial controller

in 1984 as director of management information audit and since early 1986 has been finance director of TI Raleigh.

*

Mr David Suddens has been appointed chief executive of the clothing division of JOHN CROWTHER GROUP from October 1. He was a director of Courtaulds Textile Group, and chairman of its fabrics division. Mr Peter Boyd is joining the clothing division as merchandise director. He was with William Baird Group in charge of its Telemac operation (imports from the Far East). Mr Stephen Lister has joined Crowthers as group financial controller. He was group financial controller and secretary of Nu-Swift Industries.

*

Mr David Mitchell, chief executive of the Calor Group, has been appointed chairman of sports retailing subsidiary GRANDSTAND SPORTS & LEISURE (RETAIL). Mr Robert Spigel, formerly general manager at Grandstand, becomes managing director, and Mr Brian Wilmot, Calor finance director, joins Grandstand's board.

*

Mr Norman Ireland, former finance director of BTR, now chairman of Bowater Industries and of London and Metropolitan, has been appointed a non-executive director of HILL SAMUEL & CO.

*

Mr Derek Kingsbury has become chairman of FAIREY GROUP in addition to his role as group chief executive

*

Mr Richard Meyers has been appointed group finance director of SKETCHLEY and joins the main board. He was secretary/treasurer.

*

ALEXANDERS ROUSE, international futures and options broker-dealing arm of Alexanders Laing & Cruickshank, has appointed Mr Alano Regueiro as director of the capital markets division. He was manager of the institutional financial futures division of Bache securities.

*

Mr Simon Metcalf, a director of County NatWest, has been appointed a non-executive director of McLAUGHLIN & HARVEY.

*

Mr David Wheatley, head of expatriate terms and conditions division at Shell, has been appointed to the new post of director of advisory services at EMPLOYMENT CONDITIONS ABROAD. He will be responsible for the development of ECA's consultancy service.

*

Mr Pat Barratt has been appointed a non-executive director of PORTER CHADBURN from October 1. He is a managing director with Russell Reynolds

*

BERKELEY ST JAMES'S has appointed Mr Peter Harman as director heading private client funds management. He was with Valmet Asset Management.

*

STURGE HOLDINGS has interposed Sturge Lloyd's Agencies between itself and the group's Lloyd's underwriting agency companies. The board of the new company consists of: Mr D.E.Coleridge, Mr T.P.Houghton, Mr P.J.Rawlins, Mr B.Blamey, Mr B.G.Adams, Mr A.G.Lee, Mr B.E.Beagley, Mr D.M.W.Farley, Mr M.R.Butler, and Mr A.R.Jones.

*

Mr Robert L.Bonkersley has been appointed a director of COCA-COLA & SCHWEPPES BEVERAGES with responsibility for personnel and administration, a new role. He joins from Pedigree Petfoods.

*

Mr T.S.Corrigan has been elected non-executive chairman of GROVE COLOURPRINT. He is chairman of Havelock Europa, and of Witchampton Boardmills. He is also a director of Rex Stewart & Associates, and chairman of the Post Office Users' National Council.

*

Former BICC Citec sales and marketing manager Mr John Tomany has been appointed as the new managing director of TELEMAP, the British Telecom/EMAP/Bell Canada owned company which operates Micronet. He replaces Mr Tom Baird from September 28. Mr Baird, now general manager of microcomputing products and services in BT's spectrum division, will remain on Telemap's board.

*

Mr Nicholas C.Paul has been appointed managing director (designate) of NORGREN MARTONAIR, fluid control subsidiary of IMI. He takes over on October 1 with the retirement of Mr D.R.L.Lyon. Mr Paul is managing director of IMI Yorkshire Fittings.

*

ASDA-MFI Group has seconded Mr Michael G.Trestrail, the company's group public relations controller, to run a new enterprise agency covering the Yorkshire Dales. He is to become director of the DALES ENTERPRISE AGENCY when it officially opens in November. The agency primarily will be fostering existing and potential small businesses particularly in

Mr Mike Trestrail, director of the Dales Enterprise Agency

tourism ans agriculture-related industries. Developed from the Craven Small Business Association, the new agency will embrace much of the National Park area including Ilkley, Skipton, Settle and Silsden. It will operate from offices near Skipton which have been donated by Country Holidays.

TECHNOLOGY

A perfect marriage and hang the expense

Peter Marsh examines the benefits of employing a high-cost method of welding dissimilar metals

SOME OF the lorries rumbling around Europe and made by Iveco, the Fiat subsidiary, contain a small but significant technical innovation which improves fuel consumption and reduces engine wear.

This innovative device, created by a precise though expensive method of joining two pieces of dissimilar metals with a very strong bond, owes its success to electron-beam welding.

The technique, a spin-off from high-energy physics, is gaining momentum in a variety of industries, particularly in motor vehicles, aerospace and specialised metal goods. Its high cost, however, is keeping the number of users relatively restricted.

In the case of the Iveco trucks, their engines contain small parts known as cam followers which are made of two components - one hollow, the other solid. They are constructed from different types of steel, and the fact that one is hollow reduces the weight of the moving parts in the engines, leading to lower energy losses and less wear.

Berthold, the company in Stuttgart which makes the devices on Iveco's behalf, found the only way it could join the pieces of metal without weakening the finished part was by welding with electron beams, a way of targeting a precise dose of energy on a tiny area in order to fuse two or more components.

The method produces a deep weld, with only a minute region either side of the join affected by heat. This minimises the degree to which the metal is weakened.

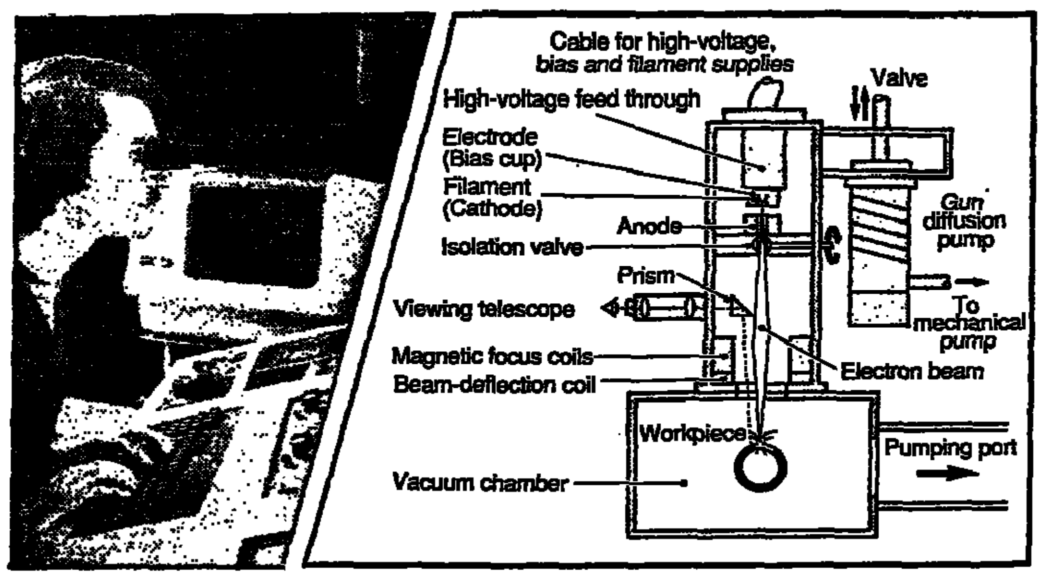
With electron-beam machines, a weld 1 mm wide can be produced to a depth of up to 20 mm, some 20 times the depth that is available with conventional arc welding - in which horizontal heat dissipation is much greater.

The technique's drawback is its cost. Production of high-energy electron beams - those in welding machines are anything up to 150,000 volts - requires expensive and specialised equipment.

Moreover, as electrons cannot exist freely in air, the complete system, including the metal parts to be welded, have to be kept in a vacuum chamber, adding further to costs.

World sales of electron-beam welders, which sell for £50,000 to £500,000 depending on size and sophistication, add up to about £25m a year, estimates David Eccleston, managing director of Wentgate, a UK company based in St Ives Cambridgeshire. Wentgate, part of the Thermal Scientific group, is among the world leaders in the technology.

To sales of the equipment itself should be added the activities of a number of specialised welding job-shops which operate machines on behalf of customers on a sub-contracting basis. Hiring such equipment, for example to weld parts of a turbine blade, can cost £150 to £1,500 a day.



Computer-controlled electron-beam welding: Minimising the degree to which metals are weakened

Among the European electron-beam job-shops specialising in aerospace are Sifco Turbine, of the Irish Republic, and Sermatech, based in Britain. They commonly take on repair work from aircraft or engine concerns which - rather than replace an expensive part like a turbine blade that is damaged - find it cheaper to mend broken components, albeit with costly and sophisticated hardware.

Applications of the technology in aerospace are increasing, according to Matt Black, a metallurgical engineer at the gas turbines division of Parker Hannifin, a specialised engineering company in Cleveland, Ohio. Black, whose company uses electron-beam welding to turn out components for aerospace concerns such as Rolls-Royce, General Electric and Pratt and Whitney, says that the industry's move towards more complex parts, in nozzles for fuel-injection systems for instance, makes the use of such high-precision equipment increasingly necessary.

Use of electron-beam systems is helped by the general trend in which manufacturers of high-value engineering parts are trying to automate as many of their processes as possible. Components can be shuttled in and out of the electron-beam systems using special fixtures which reduce handling costs.

In some cases, suppliers of electron-beam welding equipment, which besides Wentgate, include Leybold Heraeus and Messer Griesheim of West Germany and Sciaky, a US company recently bought by Britain's Ferranti, provide these fixtures as part of a complete automated system controlled by computers.

In the case of Berthold of Stuttgart, the company has bought two electron-beam machines, at a total cost of about £300,000. The company, which besides supplying the Fiat subsidiary makes engine components for Daimler-Benz, BMW, Volvo, Cummins, Volkswagen and Rolls-Royce, has found the investment justified, according to Peter Peppler, head of research and development at Berthold. He says that electron-beam welding is especially useful when a customer requires a flow of parts of uniformly high quality.

AE, the UK motor parts company owned by T and N, formerly Turner and Newall, is another user of electron-beam welding. It incorporates the technology to add tough segments of metal to sections of pistons, thus reinforcing them against the effects of piston-ring wear.

Chuck Clark, vice president in charge of marketing at Sciaky, the US company, points out that electron-beam systems "are an expensive way to join two pieces of metal; most companies will find other ways of doing it."

It appears, however, that in relatively mundane areas of engineering the technology is beginning to play a part in instances where companies are demanding higher levels of precision welding.

For example, Powerplex Technologies, of Toronto, is using an electron-beam machine to seal the aluminium alloy cases of sodium sulphur cells used in electric vehicles. The system incorporates a computer-driven facility that checks welding quality.

In the UK, Platon, a Basingstoke-based company which makes flow meters, is due to buy a Wentgate machine for specialised welding, while Walter Jones, a company in London, uses the equipment to fix together the pieces of electric motors.

Wentgate has also had success in selling its machines to engineering establishments run by the Indian Government. The Bhaba Atomic Research Centre uses the equipment in research into nuclear reactors, and the Vikram Space Centre, part of India's state-run space organisation, welds together parts of rockets and satellites with electron beams.

Edited by Geoffrey Charlish

Printing with a colourful future

LARGE FORMAT ink-jet printers that can produce full-colour results on paper, cloth, polyester and many other surfaces up to 34ins x 44ins, have been introduced into the UK by Listland of Hove in Sussex.

Made by Iris Graphics of Stoneham, Massachusetts, the printers will have many applications in the graphics and printing industries where the input is from a computer.

Ink-jet printers work by allowing very small droplets of ink to fall on the printing surface under the direction of an electrostatic field controlled by a computerised image.

There are also likely to be uses where the images produced by computer-aided design (CAD) systems have to be printed in large formats, for example in map making and engineering drawings.

More space made for flights of fancy

FLIGHT SIMULATION company Singer Link-Miles is to expand its UK facilities in Lancing, Sussex, by about 30 per cent, or 80,000 square feet.

The space is needed to accommodate work resulting from simulator contracts for civil and military aircraft, tanks and submarines. The company, part of the US Singer group, added 200 new jobs in 1987 and now has a workforce exceeding 1,700.

Dutch take control in the storehouse

QUADTRONICS in The Netherlands is marketing a system for controlling the climates of storehouses where agricultural products are kept, particularly onions, potatoes and flower bulbs.

Called Quod 150, the system uses sensors and a personal computer which is programmed to allow temperature, ventilation and condensation levels to be controlled by a program which the user can decide and easily change from the keyboard.

When necessary, operation of control devices can be carried out from the keyboard, and the system keeps a record of everything that has taken place.

CONTACTS: Listland: UK, 0273 778036. Singer Link-Miles: UK, 0903 755881. Quadtronics: The Netherlands, telex 37880. Alan Leibert Associates: London, 429 3344. BBC Engineering Information: London, 927 5040. IBM UK: 0705 694941. NKK: Japan, 3 213 7111.

Low-cost sign of card-holder security

SIGNATURE VERIFICATION equipment, designed in the UK and further developed in the US, is to be offered in Britain at a basic price of £850.

At this price, the system will prove attractive to industries like finance, retailing and security access, where confirming that card holders are who they say they are remains a problem.

A cash terminal, for example, senses only that a person holding the right card and knowing the correct identification number is obtaining cash. So far, signature verification, in which the card presenter writes onto an electronic point-of-transaction tablet for computer checking, has tended to be expensive.

Technology Concepts, founded by Professor Martin Healy of Cardiff University, carried out detailed development work for Signify, a company started by Alan Leibert to develop a low-cost version of such a system.

Late in 1985 a US group, McQuorquodale Holdings, bought an 80 per cent interest in Leibert's company and set up Signify in the US to bring the product to the production stage. UK marketing is being handled independently by Alan Leibert Associates.

The Leibert system, called Sign/on, uses a digitising tablet and stores 12 characteristics of the signature for comparison with a statistical template held inside the machine. Characteristics include writing time, the times the pen spends off the paper and the pen's acceleration and retardation characteristics.

The fact that a person's signature is never quite the same twice is largely overcome by the historical nature of the stored template for each user.

As each variant occurs, it is taken account of in the template. Thus, statistical distributions of the characteristics are built up and the limits of acceptance varied according to the risk considered acceptable.

The new wave at BBC Radio Four

THE BBC Radio Four longwave transmitters, which for many years have operated at a frequency of 200kHz, are to move to 198kHz in February 1988. This is to comply with a World Administrative Radio Conference (WARC) ruling that longwave stations must be separated by 9kHz.

There may be slightly improved reception in some areas. However, those mainly affected will be industrial concerns that use the transmitter as a frequency standard (it is very accurately controlled by the BBC).

IBM attacks on the publishing front

INTERNATIONAL BUSINESS Machines (IBM) has fired a shot across the bows of desktop publishing equipment companies like Apple and Rank Xerox. It has announced the IBM Personal Publishing System that will run on the System 2 (model 30-021) personal computer or the PC AT or XT286 machines.

The company says the system will bring a new level of quality to document production, allowing text, graphics and digitised images to be laid out cost-effectively using 42 typefaces in sizes from four to 127 point.

IBM is offering a new high-resolution laser printer, an adapter card for the PC and the necessary application software. The list prices are, respectively, £1,544, £1,207 and £619.

Cheers: I'll take mine with ice and earmuffs

IN JAPAN, an ice-engineering team at the Tsu Laboratories of Nippon Kokan (NKK) has developed a novel form of ice that makes a crackling sound as it melts in alcoholic drinks. The product is thought to be eminently marketable and has been named Exice.

Exice resulted from observation of some Antarctic ice brought back by an NKK research team. It contained air bubbles that were trapped thousands of years ago. As this compressed air escaped, a unique crackling sound was produced.

It seems that, with the ice NKK has made, the volume of sound produced is proportional to the amount of alcohol in the drink. Apparently a glass of 39 proof whisky is capable of an extraordinary 70 decibels.

In a tie-up with domestic ice-makers in Japan, NKK plans to market Exice for use in hotels and restaurants.

The sleeping giant awakens

SCOTTISH Metropolitan Property and Regalian Properties are branching out. The first has been quiet on the market to the extent that the boom in property shares seems almost to have passed it by. The second has not only been actively traded, but has used its paper vigorously to fund acquisitions. ScotMet, the largest of the investment and development companies north of the border, is bursting out of its Scottish chrysalis. Regalian, after starting with the rehabilitation of inner-city housing blocks and moving on to new residential development, is looking increasingly at commercial property.

MARKET MAKERS for property stocks do not expect the price of Scottish Metropolitan Property to move very much. And they are right. For the last year, the sector has been humming, but ScotMet has moved quietly between 90p and 146p, recently hovering around 130p.

One reason is that the shares are tightly held - Royal Insurance has 20.6 per cent, Guardian Royal Exchange has 18.7 per cent and USF Nominees has 5.7 per cent, while about 70 of the remaining 4,000 shareholders hold the bulk of the rest of the equity.

Another is that the Glasgow-based company seemed to be going through a dormant phase. Nothing much appeared to be happening on the surface and the company kept itself pretty much to itself, respected but lacking vitality. Anyway, five years ago more than 90 per cent of its portfolio was in Scotland.

Even Gordon Milne, the managing director, was prepared to accept for the company the tepid epithet of sleeping giant. Equally, he now accepts the cliche that the sleeping giant is awakening.

Over the last month there has been evidence of a more aggressive approach: purchase of a shopping centre in Leicester, an office development site in Crawley and a business park site along the M4 corridor. The first provides income now, the other two the promise of future revenue.

When the results for the year to August are announced next month, there should be a healthy increase compared with the £7.07m earned pretax in 1985-86 and earnings per share of 4.67p, and a rise in the net asset value per share - put at 110.5p last November.

This decade three key things have happened which suggest that a freshly groomed ScotMet is emerging:

● "Over the years we had been very conservative - we were a pure investment company," says Mr Milne. Now the company has an extending development programme and is prepared to trade.

● A younger management team has been introduced and this has helped lead the company into putting greater stress on development.

● The portfolio has been dramatically pruned. "But we were never in a forced sale position," Mr Milne stresses. In 1978 there were 750 buildings. Now there are 300, and the asset value has doubled to more than £120m.

Revenue from sales has been available to plough back into development, and resources were increased a year ago with a £30m first mortgage debenture stock. Funds from that stock have largely been used up.

Over the next two years, the total development programme will cost about £50m - not exactly on the scale of Land Securities but substantial compared with the ScotMet performance of a few years back.

Within the next two years, the company will probably have to go to the market for funds. Another debenture is a possibility, depending on what the coupon would have to be. Unless the share price perks up - and given the breakdown of the equity holdings it seems doubtful if it will emerge as a high-flier - a rights issue does not seem on the cards. But a convertible preference share issue might be.

Like any other property company, ScotMet wants the security of adequate long-term funding. Its technique broadly has been to fund its site purchases with long-term finance and its development costs with shorter-term bank facilities. Its buying policy is cautious. Property in the City of London is ruled out by Mr Milne simply because the numbers are too big. He is a proponent of the adage that "profit is made when you buy, not when you sell."

But the development and investment programme is taking ScotMet away from its traditional base. It is no longer a Scottish company, but a British company based in Scotland. The latest investments mean that ScotMet's geographical spread has widened to 70 per cent Scotland and 30 per cent the rest of Britain.

This is a conscious policy which has been developed since Scotmet started to look for expansion. The reason, as Mr Milne explains, is the 10 per cent theory. Scotland has 10 per cent of the land and 10 per cent of the population. It is simply not large enough to satisfy a drive for expansion. There is also the fact that rental growth has tended to be greater in the south.

Where the company expands is dictated as much by management time as by anything else. In effect, the company is looking for opportunities an hour's driving time from Heathrow Airport, not only because this is the most prosperous area of the UK but also because if an executive is coming from Glasgow, this area is the easiest to reach.

Investments will remain diversified. Nearly half of the portfolio is in retail property, just over a third in offices and the rest in industrial and high technology. The general drift is to increase the retail at the expense of offices.

Regalian diversifies with the help of a lucky horseshoe

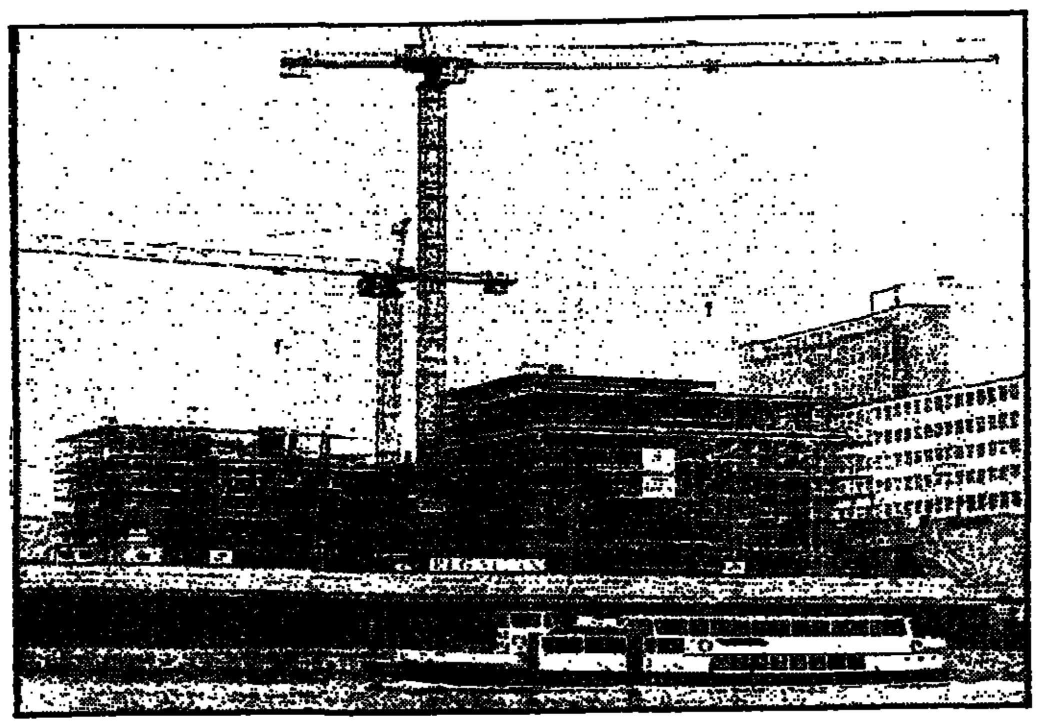
HORSESHOE Court on the south bank of the river Thames at Southwark Bridge is not just the new London headquarters of the Financial Times. It is also a boost to the profitability of Regalian Properties.

The sale to Pearson for £74.4m, says David Goldstone, the managing director, "effectively ensures the growth of our profitability over a three-year period." Payments from Pearson are staged over that time, starting with an immediate £20m.

Beyond that, though, the sale represents an early success for Regalian's diversification out of residential refurbishment, the basis of its profitability so far. This was no forced sale.

Pretax profits more than doubled over the 1986-87 year to £8.2m and are set to continue growing this year on the back of the housing boom. "We could have held the project," says Mr Goldstone, who had undertaken it on the assumption that the rents would be about £25 a sq ft.

"But there was a certain logic in selling when the capital value reflected rents of nearer £35. And if office supply catches up, there would not be dramatic increases at the first rent review," he says.



The Financial Times's future headquarters, Horseshoe Court, under construction on the south bank of the river Thames, by Southwark Bridge. The building was sold to Pearson by Regalian for £74.4m. The sale, which will boost Regalian's profits over a three-year period, represents an early success for the company's efforts to diversify out of residential refurbishment.

At one stage the project had looked like icing on the Regalian cake. And the same could be said for the 100,000 sq ft office content of Regalian's Free Trade Wharf scheme in London Docklands.

However, in the future there is likely to be a stronger commercial content in Regalian development schemes. Partly, this springs from the logic of urban renewal, which Regalian sees as its stock-in-trade. *"There is willingness to realise that urban renewal is not merely urban housing renewal," says Mr Goldstone.*

The bigger urban redevelopments tend to be mixed and Mr Goldstone believes that Regalian can span the spectrum - something he suggests only a relatively few companies can do. So it is to be expected that Regalian will be among the bidders for inner-city projects which go beyond the provision *of housing.*

Regalian could well bid for an offices-housing scheme in Victoria, west London, when it comes on the market shortly.

None of this is to say that Regalian will go for any office scheme that happens to be around, and which attracts developers by the dozen. But residential schemes with a commercial content are different: "They are not likely to attract more than half a dozen major companies," says Mr Goldstone.

Company Notices

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
25	26	27	28	29	30	1

Exhibitions

PARIS

Fine Prints in France from the 16th to the 19th century. More than 200 impressions of exceptional quality from the print department of the Bibliothèque Nationale show the infinite possibilities of artistic expression through varied techniques of printmaking. The panorama ranges from early engravings showing strong Flemisch, German and Italian influence to the majestic Grand Siècle style under Louis XIVth, from Boucher's pastel-hued sujects galants to the modernity of Toulouse-Lautrec and the striking colours of Bonnard. Bibliothèque Nationale, Galerie Mansart, 58 rue Richelieu, ends Nov 2.

WEST GERMANY

Hildesheim, Roemer- und Pelizaeus-Museum. Am Steine 1-2. Egypt's rise to a World Power: More than 300 pieces loaned by 20 museums in Europe, Africa and America – the first presentation of the most important 150 years 1550-1400 BC of the New Empire in Egypt. The bust of Pharaoh Thutmosis III, discovered in 1907 without a face, can be seen complete in Hildesheim. The face, found in Egypt only 20 years ago, was loaned by a Cairo Museum. Another highlight is a reconstruction of the 3000 year old burial chamber of Sennefer, the former mayor of antique Thebes. Clothes, household appliances, tools, cosmetics and jewellery illustrate the everyday life of Egyptian citizens. Ends Nov 29.

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

ITALY

Venice: Ala Napoleonica and Museo Correr: 'Matisse and Italy': over 250 works by one of most poetic of 20th century French Painters. The exhibition includes paintings, drawings, and Matisse's entire output of sculpture (75 pieces in all), lent by private and public collections in France and America, and the Musée Matisse in Nice. Pierre Schneider, the organizer, has attempted to show how the works of Italian painters such as Mantegna, Pollaiolo, Giorgione and Veronese may have influenced Matisse. Until October 18.

Rome: Palazzo Braschi: Painter-Photographers in Rome: 1845–1870: The term Painter-Photographer was used almost up to 1970 to describe the early photographers, even if they had never painted. An absorbing collection of documentary photographs of Rome, including a collection by the English archeologist, John Henry Parker, and some striking portraits, all from the archives of the Rome Comune. Ends Sept 27.

Venice: Palazzo Grassi: Jean Tinguely: 1954–1987: The jokey mechanical sculpture of Swiss artist Jean Tinguely. A gentler, but still mischievous, version of Salvador Dali, Tinguely describes some of his incredible moving sculptures (all built from refuse iron and steel) as "machines a sentiments," and the complexity and sheer improbability of his works communicate a touching "joie de vivre." Over 300 works are on show, lent by American and European museums, with photographs of his first Self-Destructing Sculpture. Homage to New York, which duly self-destructed in the gardens of the Museum of Modern Art in New York in 1960. Ends Oct 18.

NEW YORK

IBM Gallery: Post Modern Architectural Visions includes an international array of designers including Michael Graves, Hans Hollein, and Adolfo Natalini with 200 drawings and models of work from 1960 to 1985, originally organised by Williams College and Deutsches Architekturmuseum in Frankfurt. Ends Nov 7. 56th & Madison (407 6100).

CHICAGO

Art Institute: Walker Evans photographs of the 1930s showing poverty and despair in the American South were famous in their time in Life Magazine and preserved in James Agee's moving book, Let Us Now Praise Famous Men. This exhibit is a reminder at a time of renewed despair in the American heartland of the scope and depth of Evans' work originally done for the Farm Security Administration. Ends Nov 8.

WASHINGTON

National Gallery: A Century of Modern Sculpture, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

Hirschhorn Museum: One of the Chicago contemporary primitivists whose repeated scenes make evocative images has his first major east coast retrospective with 49 paintings and four painted constructions. Ends Oct. 18.

TOKYO

Chinese Paintings and Ceramics of the 18th-20th century: 144 paintings and 33 ceramics comprise this important exhibition from the Yang He-Tang collection in Taipei. The paintings include traditional-style watercolours of landscapes, birds, flowers and portraits. Especially interesting are works by literati painters with their political overtones – orchid/bamboo/rock or pine/bamboo/plum compositions symbolising difficulties in a harsh political climate. Works of China's two most important modern painters, Ch'i Pai-Shih (1863-1957) and Fu Pao-Shih (1904-1965), are included. The ceramics, mostly Ch'ien-Lung, a ware synonymous with excellence, were made for the Imperial family. Idemitsu Museum, Hibiya, near main hotels and Ginza. Ends Sept 27.

Modern Japanese Paintings of Yasushi Sugiyama. 120 works of one of Japan's foremost contemporary artists. From Nihonga (19th century, Western-influenced Japanese painting) to abstract futuristic themes, he is one of Japan's most prolific artists. National Museum of Modern Art, near Takebashi Station, off Imperial Moat. Ends Sept 27.

Theatre

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221-1211).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Elliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Les Miserables (Broadway): Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis): Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters; but it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

Cabaret (Opera House): Hal Prince again directs Joel Grey as the seductive master of ceremonies in a Broadway-bound revival of the evocative musical of Berlin life in the 1930s. Ends Oct. 3. Kennedy Center (254 3770).

TOKYO

Les Misérables. After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was handpicked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "ecole" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Misérables is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

The Balcony (Barbican): Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging costumes. (628 8795).

Follies (Shaftesbury): Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque re-union in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399).

Melon (Haymarket): Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings, not vintage Gray. (930 9832).

Serious Money (Wyndham's): Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good. (636 3028, CC 379 6565).

A Small Family Business (Olivier): Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale, Ayckbourn's own production is led majestically by Michael Gambon. Best of the NT rest remains King Lear and Antony and Cleopatra in the Olivier, A View From the Bridge in the Cottesloe. The new Brian Friel adaptation of Turgenev's Fathers and Sons is decent but dull in the Lyttelton. (928 2252).

Three Men on a Horse (Vaudeville): George Abbott's sprightly gambling comedy has transferred from the National. Geoffrey Hutchings in the lead now joined by Toyah Wilcox (836 9987).

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: Busoni's rarely played Doktor Faust features Lucy Peacock, Kenneth Riegel and Andreas Schmidt. Tannhäuser in Kurt Horres' production stars Janis Martin, Sharon Sweet and Spas Wenkoff. Manon Lescaut has Pilar Lorengar, George Fortune and Giorgio Lamberti. The week also offers Boris Balcher's Preußisches Märchen.

Hamburg, Staatstheater: Don Giovanni, conducted by Peter Schreier, takes the leads Julia Varady, Samuel Ramey and Kurt Moll. La Clemensa di Tito brings Judit Beckmann, Pamela Coburn, Werner Hollweg and Harald Stamm together. La Bohème has a particularly strong cast with Rachel Joselson, Jane Perry and Alejandro Ramirez.

Cologne, Opera: The premiere of Rigoletto, produced by August Everding. The cast includes Alida Ferrarini, Victoria Vergara and Wasili Janulake. The highly-acclaimed production of Das schlaue Füchslein by Harry Kupfer, has Roland Hermann, Eva Tamassy and Randell Outland.

Stuttgart, Württembergisches Staatstheater: Der Rosenkavalier is steered to triumph by Karan Armstrong. Trudeliese Schmidt and Helmut Berger-Tuna.

München, Bayerische Staatsoper: Fidelio, in Götz Friedrich's production, returns with an attractive cast – Hildegard Behrens, Julia Kaufmann, Bodo Brinkmann, Theo Adam and Rainer Goldberg – and Hans Martin Schneidt as conductor. Don Carlo stars Natalia Troitskaya, Bruna Baglioni, Jewgenij Nesterenko and Alberto Cupido. Salome is an event of more than passing interest with Brigitte Fassbaender, Hildegard Behrens and Walter Raffeiner. Falstaff is well cast with Pamela Coburn, Brigitte Fassbaender and Juan Pons. Ariadne auf Naxos rounds off the week.

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera production of Wagner's Tristan und Isolde directed by Jürgen Gosch, with George Gray (Tristan), Deborah Polaski (Isolde), Jard van Nes (Brangäne) and John Bröcheler (Kurwenal), Hartmut Haenchen conducting the Concertgebouw Orchestra (255 455).

Groningen, Schouwburg. The Royal Ballet of Flanders with Allegro Brillante (Balanchine/Tchaikovsky), Brel (De Layress/Jacques Brel), Serait-ce la Mort? (Béjart/R. Strauss), Easy Tangos (De Layress/Piazolla). (12 56 45).

NEW YORK

Metropolitan Opera (Opera House): The first week features Otello, conducted by James Levine in Franco Zeffirelli's production with Kiri Te Kanawa and Placido Domingo; Manon, conducted by Manuel Rosenthal in Jean-Pierre Ponnelle's production with Catherine Malfitano and Alfredo Kraus; and Ariadne auf Naxos, conducted by James Levine in Bodo Igesz' production with Jessye Norman, Kathleen Battle and Tatiana Troyanos. Lincoln Center (362 6000).

New York City Opera: The week features Turandot, La Rondine, The Marriage of Figaro, Casanova and La Bohème. Lincoln Center (870 5570).

LONDON

Royal Opera, Covent Garden: The revivals of Tannhäuser, Falstaff and La Bohème scheduled for the opening weeks of the Royal Opera season are threatened by a dispute between management and chorus. Check theatre for details. (240 1066).

English National Opera, Coliseum: The second new production of the 1987-88 ENO season is a favourite with the public strangely long-absent from London theatre – Bizet's Pearl Fishers. Charles Mackerras conducts, Philip Prowse produces in his own designs, and the cast includes Adrian Martin, Valerie Masterson, and the superb Leningrad baritone Sergey Leiferkus (ENO debut). Also in repertory: further performances of Sondheim's Pacific Overtures, a bold venture for the company, and Salome, with Josephine Barstow dramatically powerful (if vocally not always equally so) in the title role, and Mark Elder an excellent conductor. (836 3161).

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THE ARTS

Cinema/Ann Totterdell

Charismatic combination of elegance and violence

The Untouchables directed by Brian De Palma
The Night is Young directed by Leos Carax
Every Time We Say Goodbye directed by Moshe Mizrahi
Miss Mary directed by Maria Luisa Bemberg

Even without the gift of Prohibition there would have been enough to occupy Al Capone in Chicago in the Twenties and Thirties, but convicting him and ending bootlegging was the well documented obsession of Federal Treasury agent Eliot Ness (Kevin Costner). This is ground that has been covered many times before, in Ness's memoirs, in other films, and in the television series that inspired director Brian De Palma and writer David Mamet. They have made it their business not only to retell the story of *The Untouchables* but to do so with a traditional directness and simplicity.

Supported by a police force that has been bought and paid for by Capone, Ness's crusade to curtail the bootlegging industry gets nowhere until he recruits a handful of incorruptible men, a hopelessly small group sustained by its distaste for a society controlled by money. It is the one failing of a superbly made film that it never suggests why these men are so morally superior to their colleagues.

"It's the law," says Ness when asked his opinion of Prohibition, though more accurately it is the bending of any law by intimidation and bribery that offends him. He soldiers on when everyone else has thrown in the towel but why this otherwise colourless man has such tenacity we never know.

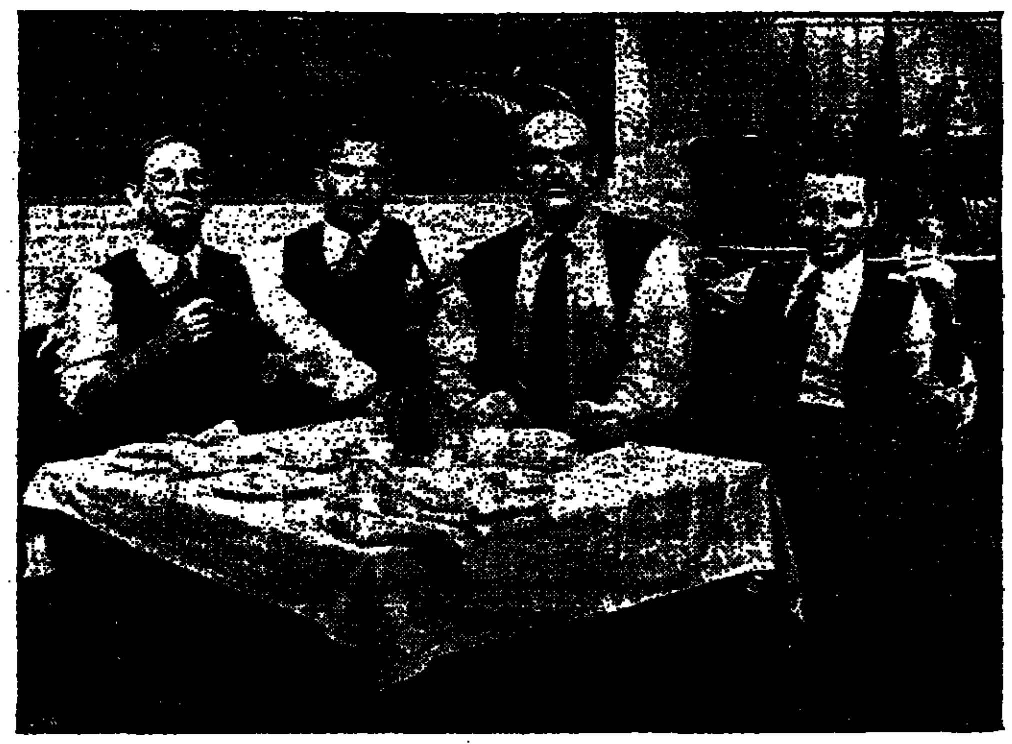
Capone, as played by Robert De Niro, is easier to understand—a man who relies as much on his charm as his power, the gangster as media celebrity, effortlessly deflecting compromising questions at his frequent press conferences.

"Team spirit," he intones like a sports coach delivering a pep talk as he batters an unsuccessful henchman to death with a baseball bat.

The image of the dead man's blood seeping across an expanse of white table cloth watched by stunned, dinner-suited gang members typifies the combination of elegance and violence that is De Palma's Capone — stylish, charismatic and remorseless.

Kevin Costner has a harder time of it with the barely flexible character of Ness; he does not have a hope against Sean Connery as Malone, the tough, gruff Irish cop who becomes his mentor, or Charles Martin Smith as Oscar Wallace, brought in to investigate Capone's tax evasion and roped in by default. In fact Wallace's aggrieved accountant's view: "He hasn't filed an income tax return since 1928!" probably provides a more tangible motivation than anyone's.

De Palma and Mamet between them have an impressive track record of physical and emotional violence in their work (*Carrie*, *The Postman Always Rings Twice* respectively) and *The Untouchables* though rarely explicit has a tremendous sense of violence often lifted by the exhilaration of good triumphing over evil. It must be a sad sign of our times that such simple drives are no longer quite enough.



Scene from "The Untouchables": Al Capone's adversaries Charles Martin Smith, Kevin Costner, Sean Connery and Andy Garcia

★

In Paris in the near future a pair of petty crooks who have not learnt from Capone that crime does not pay persuade the taciturn Alex (Denis Lavant) to replace his dead father in an attempt to steal a rare vaccine. Too blatantly a device to show the young man's sense of isolation the plot of *The Night is Young* is hampered by over-literary subtitled dialogue and an excess of brooding from Alex which is occasionally and hearteningly vitalised by director Leos Carax's extraordinary images: a *girl's parachute catches on the* door of the plane as she is about to jump; Alex climbs along the straps to release her and clinging together the two gently float to earth. . . . Later doubled up with pain he staggers down a street—recovering he runs, dances, somersaults, racing with the camera. But these spasmodically exciting moments cannot save a film that too frequently seems to parody a languid, philosophical mood rather than create one.

Alex is tiresome, the two women he loves are infuriatingly passive. More of a calling card than a satisfying film in its own right, but we can still speculate that since Carax is still only 26 he may eventually resist self indulgence and produce something splendid.

★

That hope cannot be extended to Moshe Mizrahi, writer and director of *Every Time We Say Goodbye*, a wartime romance set in Jerusalem which has American Tom Hanks as an RAF pilot falling in love with a Sephardic Jewess. Mr Hanks had a much better time of it in *Splash* when he fell in love with a mermaid, but then she did not have a protective and hostile family determined to keep her in the fold. A valid if familiar story of love conquering all, but irretrievably hampered by a leaden script and unimaginitive direction.

★

Cultures clash—or collude—more effectively in *Miss Mary*. An Argentinian film directed by a woman (Maria Luisa Bemberg) would have been almost unthinkable to the South American women it portrays; women still as safe, in 1938, from their own country's political upheavals as they are from the iminent war in Europe. It would have been as incredible to Miss Mary (Julie Christie), the English governess hired by a wealthy Buenos Aires couple to turn their two young daughters into English ladies.

Escaping the war as well as her own emotions Mary brings with her an almost Victorian repressive nature that has a formularised response for every occasion. "Because it isn't done." "Because you are not to." "Ask no questions and you'll get no lies." Even: "Little girls should be seen and not heard."

The worship of English manners and values at the expense of what we think of as the exuberant Latin temperament proves a disastrous course. Miss Mary's two charges are headed for disaster—one for a loveless marriage, the other for discreet insanity, sitting alone day after day copy typing the telephone directory with two fingers. Miss Mary herself, in a rare human moment, is seduced by the son of the house and is promptly banished like a Victorian kitchen maid.

The film is a sad glimpse of a half lost world, a place where everything was stiff and forced. Unfortunately that stiffness invades the fabric of the film. Even Julie Christie's performance lacks sympathy. Miss Mary pities her employers' empty lives while scarcely recognising the emptiness of her own.

When Maria Luisa Bemberg set out to expose the sterility of the Argentinian upper classes did she also mean to impale the inadequacies of their role models? Ask no question and you will get no lies.

Groucho/Comedy

Michael Coveney

Groucho: A Life In Revue is a modest jog through the outlines of Groucho's career illuminated by a brilliant impersonation, just about the best of the great number I have seen, including my own. The young American actor Frank Ferrante comes laden with the approval of the Marx industry and relations. Groucho's son, Arthur Marx, is the co-director (with Richard Carrothers).

Frank Ferrante

One can hardly complain that this is a laundered version of the truth since that is all that was ever made available, by Groucho himself and other hagiographers. The persona was so manufactured that any good goon can have a go at it.

Mr Ferrante is a cut above that. He takes over a senile recording at Carnegie Hall and whisks us back to East 93rd Street hardship—"We were so poor even my parents had to share the same bed"—and the translation of vaudeville routines into the early films. He envies Chico his string of romantic conquests—"Since I was getting nowhere with the girls I decided to get married."

The script by Arthur Marx and Robert Fisher is best at relocating the characters and sight gags in the old music hall. It grinds to a halt when offering analysis of Groucho's dependence on his brothers, his proneness to insomnia and, worst of all, his sentimental geriatric *apologia in the form of a Playboy* interview executed by Mr Ferrante in beret, white polo neck and arthritic gestures. It is hereabouts you realise the show has nothing much to say about anything at all, least of all Groucho. You ponder, too, the striking resemblance of Ferrante's Groucho not so much to Groucho as to Harold Pinter as impersonated by Eric Idle, a jocund concept in the duller moments.

That interviewer is the daughter of a magazine journalist who wheedles out of Groucho the full leering lecherous lap-bombing that so rarely had positive results. By now Captain Spaulding has stomped among us, with twirling legs and trembling cigar ("It's bigamy," "It's bigamy, too." "It's big of all of us" is edited *down to the funny two thirds*), the only character Mr Ferrante essays after applying the paint-on moustache and the wire-rimmed spectacles to his face and a dutiful round of applause. Rufus T. Firefly and Otis B Driftwood are dropped in favour of over-long TV show routines and climatic navel-introspection in which Groucho comes to regret that he ever sprung free from his brothers even allowing for the huge increase in income.

Gummo and Zeppo are virtually erased from the tale, but Chico and Harpo are filled in with an ecstatic brilliance equal to Mr Ferrante's by Les Marsden. Mr Marsden executes two seraphic musical interludes on harp and piano that are alone worth the price of admission, even if they take the show nowhere.

But Groucho needed to give insults to people who deserved them and, whatever one felt about the first night audience, they did not really ask for it. Even Marguerite Lowell, sportingly playing the peripheral women, was nothing like Margaret Dumont. Thus Mr Ferrante's exertions amount to little more than a turn. A turn for the better, but a turn just the same.

Neumeier's look for Ravel and Stravinsky

Freda Pitt reports on the Hamburg Ballet's programme at the second Panatenee Pompeiane festival

The Teatro Grande at Pompeii provided a grandiose setting for the double-bill presented by the Hamburg Ballet as the dance contribution to the *Panatenee Pompeiane*, a festival now in its second year.

Music is the keynote at Pompeii, and it remained so during the ballet programme, which consisted of two 20th century musical masterpieces, Ravel's *Daphnis and Chloe* and Stravinsky's *The Firebird*. Both scores received their full due from the Orchestre National de France under Lorin Maazel, who conducted from memory with greater assurance than many a conductor armed with the score. The wordless chorus was supplied by the Slovak Philharmonic Choir from Bratislava.

If the surroundings did not detract from the music, they dictated the jettisoning of Jurgen Rose's sets for both works, as well as alterations in the lighting and sometimes the movements. On the other hand, the stage is gratifyingly large, and if the disparity between Greek and Roman antiquity is overlooked, the crumbling wall in the background, with the ancient shadowy trees beyond, and a few statues skilfully disposed, the natural scenery serves well enough for *Daphnis and Chloe*; *The Firebird* is another matter: I imagine that Neumeier's reworking looks better in a normal theatre.

A glance at a list of Neumeier's ballets shows that the reworkings, usually anchored to great music, outnumber the creations. In the two works seen at Pompeii, both made in the 1970s, his aim is not so much to bring the characters and situations nearer to a contemporary audience, but to cast them more in a personal mould, to satisfy himself and his company.

He sets the Ravel ballet in 1912, the year of its first performance by Diaghilev's Ballets Russes (one may safely assume that Pierre Monteux, who conducted, was not accorded as much adulation as Maazel, but he had competition from Karsavina and Nijinsky, as well as Fokine). A girl and boy in a party of students diligently visiting Lesbos with a guide are identified with Daphnis and Chloe. The boy dreams about the nymphs, and the girl being carried off by pirates.

How full of dreams and transformations Neumeier's story ballets are! Gigi Hyatt, a stylish dancer in a generally strong company, made a winning girl and Jeffrey Kirh a solemnly dreamy boy. Dorkon, a Greek sailor, is vulgarly showy rather than boorish and as he performs what was originally a solo demanding Chloe's attentions with a group of mates, and "Daphnis" is alone on stage for most of his successive solo, the competition motif is lost. The role of Lykanion is well conceived, and well executed by Colleen Scott, in an attractive Greek-style costume. Rose's costumes are nearly all admirable, with those for the nymphs outstanding. Their wigs, flowing tunics and movements based on friezes are the most satisfying feature of Neumeier's version, which is exceptionally well lit.

There are dramatic lighting effects in *The Firebird*, too, notably for the garish Kastchei — a bazarre machine-like dictator-figure on stilts — and the Firebird's sparkling cap. I am grateful to Neumeier for retaining a female Firebird (Bettina Beckmann), but the role is a strangely *terre-à-terre* one. Both she and the girl who replaces the princess (Anna Grabka) frequently perform rather self-conscious turned-up foot movements that are at odds with the music. The young soldier Ivan (Ivan Liska) has too indeterminate a role. The ending is heavily symbolic, with the tiny plant cherished by the girl grown into a sapling, while she and Ivan watch ecstatically as water gushes from a seeming spring in the rock, cunningly devised by Neumeier.

Both works involve a supernatural intervention that resolves the central drama, with a closing ensemble in which the music reaches a *crescendo:* the majestic wedding apotheosis in *The Firebird* and the rejoicings of Daphnis, Chloe and their friends in the Ravel ballet. Unlike Fokine, Neumeier ignores the religious element and ends both works with a *pas de deux*, banishing the corps. In the Ravel ballet, the climax is a sexual one, with Daphnis profiting from his initiating by Lykanion — so euphamistically, called "a young married girl from the town" in Ashton's lovely ballet.

Neumeier has been much in demand and much in view this summer, both with and without the Hamburg dancers. In Paris in June, the Theatre de la Ville presented three of his long Shakespeare ballets, a well-conceived programme of excerpts called "Shakespeare's Lovers," an Arthurian epic and a selection of his Mahler ballets. At the Avignon Festival the Paris Opera Ballet danced his new *Magnificat*, which will arrive in Paris this autumn, and his *Streetcar Named Desire* for Marcia Haydee and Richard Cragun and the Stuttgart Ballet opened this year's Festival of Two Worlds at Spoleto.

The two ballets given at Pompeii exemplify Neumeier's tendency to overload his works with characters and events. He is certainly a ballet director and choreographer to take seriously, and if he learns to pare down and simplify he may yet surprise us with a masterpiece and become as popular in his native America and in Britain as he already is on the continent.

Rambert Collaboration/Riverside

Clement Crisp

When Ballet Rambert was re-formed as a modern company in 1966, one of its first innovations was a series of experimental evenings encouraging new creativity from members of the company in collaboration with painters and musicians. Four such collaborative exercises took place; two decades later the troupe has been re-named the Rambert Dance Company, and to mark the occasion a further set of Collaborations, the fifth, is being held at Riverside Studios this week.

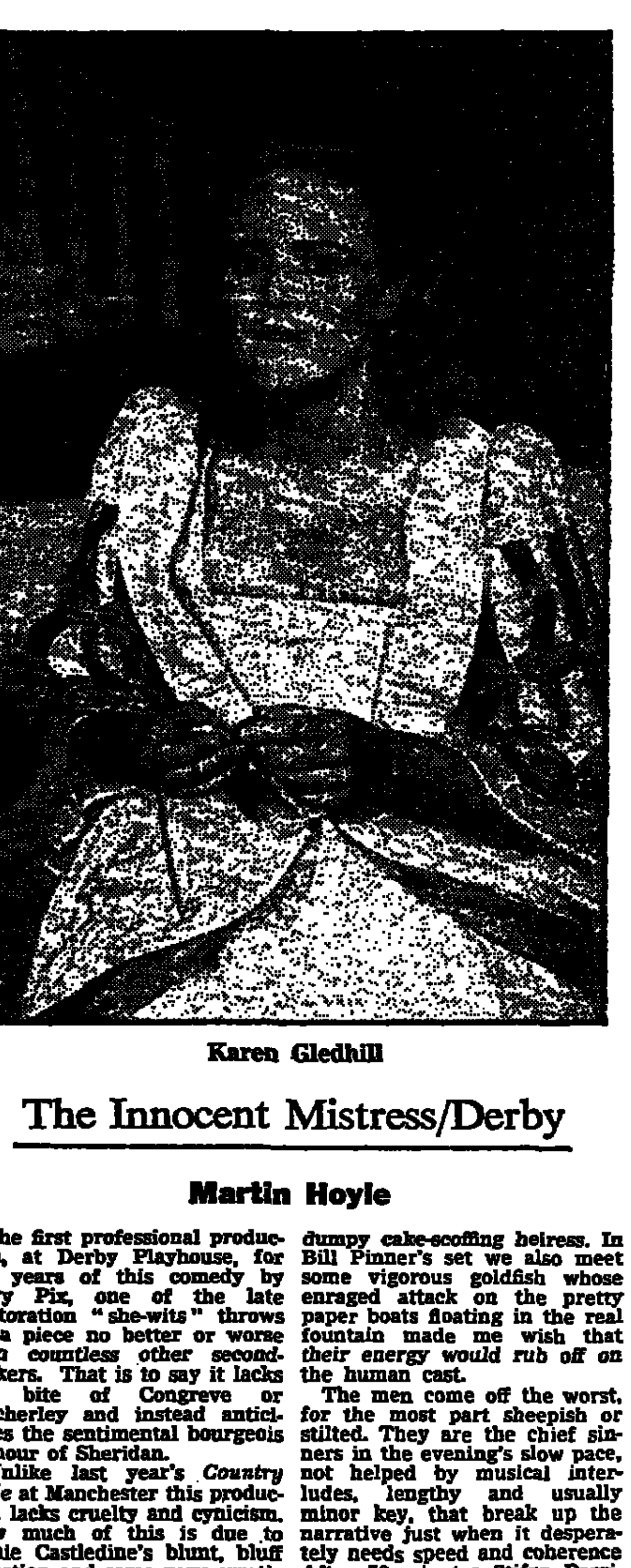
Ten new works were on view on Wednesday evening, several of them the tenderest choreographic shoots. Standards of presentation ranged *from the perfunctory to the* stylish, but first praise must go to the quality of the musical accompaniment, much of it performed live, and with two commissioned scores — by Nicholas Wilson and Peter Muir—of more than passing interest.

There was implicit in the evening the idea of an extension of the Rambert tradition of involving fine artists in the decoration of dance. Hence the invitation to John Murphy, Richard Deacon and Anish Kapoor to provide settings. The most successful of these, and the one visual delight of the evening, was Mr Kapoor's intense, luminous purple backdrop for Amanda Britton's *The Second Construction*. The piece was theatrically communicative — many of the other offerings were so self-absorbed and so introspective as to suggest that they were personal therapy rather than choreography—and very well integrated in its elements.

The particularly Indian coloration of set and design, a mysterious violet penumbra produced by imaginative lighting, the pentatonic clangour of the John Cage score which gives the piece its title, and Miss Britton's passing choreographic references to Indian dancing, produced an atmosphere, a personal and coherent vision, that is the hallmark of successful *collaboration*.

One other piece must be mentioned: Gary Lambert's solo for himself, *One Love*, which is danced to a poem by Linton Kwesi Johnson. The verse, I suspect, matters not at all; what is so exciting is the vigour and daring of Mr Lambert's movement and the bright curlicues of energy, the cut and thrrust of technical power with which he flings the dance at us. Here was an emotional and physical involvement—a sense of theatre—sadly lacking in most of the other novelties.

But the evening asserted that creative liveliness on the part of the Rambert company which has ever been part of its identity. Names may change; the artistic spirit endures.



Karen Gledhill

The Innocent Mistress/Derby

Martin Hoyle

The first professional production, at Derby Playhouse, for 290 years of this comedy by Mary Pix, one of the late Restoration "she-wits" throws up a piece no better or worse *than countless other second*-rankers. That is to say it lacks the bite of Congreve or Wycherley and instead anticipates the sentimental bourgeois humour of Sheridan.

Unlike last year's *Country Wife* at Manchester this production lacks cruelty and cynicism. How much of this is due to Annie Castledine's blunt, bluff direction and some very erratic acting is hard to tell. A romp seems intended; and such serious strands of plot as exist are soon lost, perhaps because the high-principled heroine of the title is wooden and monotonous, and Johnny Worthy, though he doubles as a perky black cockney servant, is utterly unconvincing as the married man who inspires her virtuously suppressed passion.

The comedy relies on familiar elements: fortune-hunters, *who trick heiresses into marri*age, false letters of assignation, rakes who finally fall in love. We meet a comic dragon ripe for hoodwinking whose theatrical progeny will include Mmes Hardcastle and Malaprop—nicely played by Marlene Sidaway, an aptly sturdy mother to Charlotte Barker's dumpy cake-scoffing heiress. In Bill Pinner's set we also meet some vigorous goldfish whose enraged attack on the pretty paper boats floating in the real fountain made me wish that *their energy would rub off on* the human cast.

The men come off the worst, for the most part sheepish or stilted. They are the chief sinners in the evening's slow pace, not helped by musical interludes, lengthy and usually minor key, that break up the narrative just when it desperately needs speed and coherence After 50 minutes Stifyn Parri, faintly echoing Frankie Howerd, turns to us with, "now, everyone sitting comfortably? More plot coming up. Concentrate please." An admission of defeat; too little too late.

The production never settles on a style. The serious romantic interest is limp and listless, the humour uncertain whether to opt for slapstick (an amorous husband enters, trousers round his ankles) or the high style that some of the actresses at least are capable of. They include Liz Rothschild whose wit, point and buoyancy recall the young Elizabeth Spriggs; and Shelley King whose attack, elegance and projection lift her above most of her colleagues—some of whom are patently wondering what they are doing.

Arts Week

Continued from Page 22

Music

LONDON

Tamas Vasary, piano and director with the Peterborough String Orchestra. Haydn, Mozart and Larsson. Queen Elizabeth Hall (Tue). (928 3191).

London Symphony Orchestra and Chorus conducted by Lorin Maazel, Mahler 2. Barbican Hall (Tue). (638 8891).

Academy of St. Martin-in-the-Fields chamber ensemble directed by Kenneth Sillito. Mendelssohn and Schubert. Queen Elizabeth Hall (Wed).

London Philharmonic conducted by Klaus Tennstedt with Maurizio Pollini, piano. Webern, Beethoven and Brahms. Royal Festival Hall (Thur). (928 3191).

London Symphony Orchestra conducted by Lorin Maazel. Mahler 5. Barbican Hall (Thur).

PARIS

Orchestre Philharmonique de Montpellier Languedoc-Roussillon conducted by Cyril Diederich, Montpellier Opera Choir, Orfeo Catalo Choir: Berlioz (Tue). Salle Pleyel (4561 0630).

Nicanor Zabaleta, harp, Monique Frasca-Colombier, violin and alto, Pierre-Alain Biget, flute: Mozart, Debussy, Parish-Alvars, Bach (Tue). Saint-Severin Church (4563 7955).

Orchestre National de France conducted by Georges Pretre, Barbara Hendricks, Florence Quivar, Jean-Philippe Courtis: Benvenuto Cellini in concert version (Wed). Theatre des Champs Elysees (4720 3637).

Nouvel Orchestre Philharmonique conducted by Marek Janowski: Weber, Mendelssohn, Saint-Saens (Thur). Theatre des Champs Elysees (4720 3637).

Orchestre National de l'Ile de France conducted by Jacques Mercier, Choir Ars Musicae: Debussy, Ravel, Schmitt (Thur). Salle Pleyel (4561 0630).

Ensemble Orchestral de Paris conducted by Philippe Herreweghe, Frederic Pelassy, violin, Choeur de la Chapelle Royale, Collegium Vocale de Gand: Mendelssohn (Thur). Theatre de la Sorbonne (4582 6757).

ITALY

Milan: Teatro Alla Scala: Rafael Fruhbeck de Burgos conducting Haydn, Ravel with pianist Alicia de Larrocha, and Bartok (Wed and Thur). (80 91 26).

Florence: Teatro Comunale: Israel Philharmonic Orchestra conducted by Zubin Mehta, Prokofiev and Tchaikovsky (Mon and Tue). (277 92 36).

NETHERLANDS

Rotterdam, Doelen. James Conlon conducting the Rotterdam Philharmonic, with Bella Davidovich, piano: Riedstra, Tchaikovsky, Berlioz (Thur). Recital Hall: The Netherlands Brass Quintet: Ewald, Forsyth, Bach, Pachelbel, Scarlatti, Rossini (Tue). (413 2490).

Utrecht, Vredenburg. Ferdinand Terby conducting the North Holland Philharmonic: Bernstein, Milhaud, Bizet, Smetana, Rossini, Borodin (Wed). Antoni Ros-Marba conducting the Netherlands Philharmonic, with Alexander Rudin, cello: Mozart, Haydn, Schubert (Thur). (31 45 44).

The Hague, Dr Anton Philipszaal. The Netherlands Philharmonic Chamber Ensemble under Vladimir Spivakov, violin: Denisov, Mozart, Haydn, Schubert (Mon). (609 810).

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting, Gary Hoffman 'cello, David Evitts baritone, William Neil organ with Oratorio Society of Washington directed by Robert Shafer. Carter, Piston, Copland, W. Schuman (Tue); Mstislav Rostropovich conducting. Toch, Mozart, Berlioz (Thur). Kennedy Center (254 3776).

NEW YORK

Carnegie Hall: Vienna Philharmonic. Leonard Bernstein conducting, Christa Ludwig mezzo-soprano. Bernstein, Mozart, Sibelius (Thur). (247 7800).

Juilliard Symphony (Juilliard School): Sixten Ehrling conducting. Beethoven, Sibelius (Wed). Lincoln Center.

Merkin Hall (Goodman House): Roger Press piano recital. Franck, Robert Casadesus, Rachmaninoff, Chopin, Prokofiev (Mon). 67th w. of Broadway (362 8719).

Kaufmann Hall: Jeffrey Siegel piano recital. Brahms, Liszt, Gershwin (Tue). 1395 Lexington Av. (831 8603).

New York Philharmonic (Avery Fisher Hall): Sir Colin Davis conducting. Berlioz (Thur); Sir Colin Davis conducting. Sibelius and Vaughan Williams (Tue). Lincoln Center (874 2424).

CHICAGO

Chicago Symphony (Orchestra Hall): Sir Georg Solti conducting, Murray Perahia piano. Bartok, Schumann, Tchaikovsky (Thur). (435 8111).

TOKYO

Tokyo Metropolitan Symphony Orchestra, conducted by Jean Fournet. Ravel and Saint-Saëns. Suntory Hall (Mon). (822 0727).

Yomiuri Nippon Orchestra conducted by Heinz Rogner. Strauss, Ravel, Brahms. Tokyo Kosei Nenkin Hall. Shinjuku (Tue). (270 6191).

Tokyo Philharmonic Orchestra, conducted by T. Otaka with Nai Yuan Hu, violin. Mendelssohn, Bruckner. Suntory Hall (Tue). (256 9696).

New Japan Philharmonic Orchestra conducted by Seiji Ozawa with Viktoria Mullova, violin. All-Brahms programme. Suntory Hall (Thur). (573 3588).

Kammer Orchester Berlin, conductor Heinz Schunk; oboe, Jurgen Abel. Bach. Hitomi Hall, Showa Women's College, Sangenjaya (Thur). (461 2590).

Traditional Japanese: Shin-nai Bushi story-telling accompanied by shamisen, banjo-like instrument. Soloist Tsuchiyo Fujimatsu. Mitsukoshi Theatre (Wed). (241 3311).

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Friday September 18 1987

The presidency in Mexico

THE Mexican political establishment is in the final throes of its unique ritual of choosing the next presidential candidate. The choice of the successor to President Miguel de la Madrid from this cabalistic process could be announced as soon as next week.

The unprecedented effort to give an impression of a genuine contest cannot disguise the way everything has taken place within the closed ranks of the ruling party, the PRI, subject to little public scrutiny. The successful candidate will be presented as a *fait accompli*, and there can be no real challenger, despite the ensuing election. The field of "official" candidates has been narrowed down to three from six. None would disgrace a presidential platform in Latin America but they all represent the PRI system which has refused to accept any challenge to its monopoly of power since the Revolution and which this year has cold-shouldered a movement for internal reform, the so-called Democratic Current. The PRI establishment still thinks it knows what is best for Mexico and complacently relies on its own capacity for change, a capacity which has begun to look increasingly questionable.

Structural reforms

The person selected will be the single most important influence in determining the direction of Mexico throughout the nineties. This decade could decide whether Mexico is capable of bridging the gap between a developing and a developed economy, and whether the country's political system can be modernised without turmoil.

The de la Madrid presidency has been an era almost totally absorbed with the management of the debt crisis. The next first citizen must not only focus on debt and the sound economic structural reforms which have been set in motion, but also address the need to open up the political system.

The president sits atop a pyramid of authority with virtually unlimited power. The greatest weakness of President de la Madrid has been his inability to galvanise the bureaucracy of state and party (often interchangeable) and so make full use of this power to achieve his goals which have been both sound and honourable. He has been a cautious president, eschewing populism which so often in the past has been the downfall of Mexican leaders. However, his caution has seen him draw back from his promise of a more open political debate. Whenever elections have been held the accusations of vote-rigging have run uncomfortably true.

Reasonable surplus

Against this, he has behaved responsibly towards Mexico's creditors and has tuck with an austerity policy despite considerable unpopularity. He can also take credit for pushing Mexico into the GATT and for setting in motion a fundamental shift towards a more liberal and export orientated economy not so dangerously dependent upon one source of income, oil.

It is indeed a remarkable contrast to see the extraordinary boom in the Mexican stock market (up over 500 per cent this year), reflecting genuine private sector confidence at the onset of his final year in office, compared to the gathering gloom and later panic as his predecessor nationalised the banks at the onset of the debt crisis. Mexico's huge debt burden now looks more manageable than either that of Argentina or Brazil. The current account is back to a reasonable surplus, private capital is being repatriated and reserves have accumulated to an embarrassingly large $14bn.

The government must at all costs avoid the temptation to use these reserves to splash out in the final presidential year to buy new loyalty for the PRI and the incoming President. The element worrying Mexico's creditors, so impressed by the turn-round in the external account, is an accelerating inflation without real evidence of renewed domestic growth. Keeping inflation under control must be the major priority in the coming months.

US threat to open trade

WHEN the Governors of the IMF and World Bank meet in Washington the week after next, they will do so under the shadow cast by the Capitol. That shadow will be particularly deep this year, since Congress is about to produce a trade bill that might undermine all the efforts of these organisations to persuade the developing countries of the advantages of outward-looking trade policies.

How can one persuade the governments of developing countries of the merits of greater openness to international trade when the US itself has lost that faith? The American justification is the state of the balance of payments, but many developing countries have still more unmanageable imbalances or, worse, have paid a huge price for achieving balance.

The rise of protectionism in the developed countries has come at a time when the intellectual case against the export pessimism of developing countries is ever better understood, as was shown by the World Bank's *World Development Report 1987*. An essay just published by the Trade Policy Research Centre in London, *Myths and Reality of External Constraints on Development* by Professor James Riedel, sheds more light on what is wrong with the traditional export pessimism. Such pessimism, he notes, usually follows from a mechanistic view of the world economy, in which the growth of world demand is the sole determinant of the growth of exports from developing countries.

Diversification

Paradoxically perhaps, those who believe in this "engine of growth" view of development almost always do so when complaining that the engine has broken down. They then argue that the developing countries should free themselves from the constraints of poor world economic growth by consciously shifting their growth towards their home market. In this way, it is suggested, the "engine" will be modified to allow faster growth.

One striking development has undermined the "engine of growth" view and its implications. That development is the diversification of developing country exports into products, especially manufactures, where they contribute only a small part of world supply. It is competitiveness more than the growth of the markets that then matters. The more protectionist the developing country the less competitive its exports are likely to be. After all, Hong Kong alone exports more manufacturers than all the countries of Latin America combined.

The policy lesson to be drawn, however, is not that developing countries must export at all costs. It is rather that their policy should not be biased against any particular market. Furthermore, it is always an anti-trade bias that needs justification. After all, there is only one sub-Saharan developing country, Nigeria, that has a market for manufactured goods much larger than that of a middle-sized British town like Nottingham. Only four developing countries have total markets for manufacturers significantly greater than those of Greater London.

Correct policy

Neutrality is logically the correct policy for almost all developing countries individually. It is also the correct policy for all developing countries together wherever their combined exports of a given product contributes a modest share of total world demand. Nevertheless, the growing protectionism of the developed countries is likely to alter both reality and perception.

So far as the reality is concerned, protection seems fortunately to have been quite ineffective until now, with the volume of exports of manufactures from developing countries growing at 8.4 per cent a year even in the 1980s, almost four times as fast as the growth of developed country markets. But perception is quite another matter. Awareness of protectionism in developed countries is becoming stronger in all developing countries. Consequently, the rewards of liberalisation look, at best, increasingly unattractive and, at worst, non-existent. A protectionist trade act in the US would confirm all suspicions. It would be a bitter irony if in this way the domestic political consequences of US fiscal policy were to thwart the Administration's sincere promotion of liberal economic policies abroad.

Guy de Jonquieres says that for companies, the EC's plan for a single market may mean less than some of them claim

Bursting barriers of mind and matter

LATE LAST JUNE, a bevy of European business leaders converged on the summit meeting of European Community heads of government in Brussels to vent their collective impatience at the slow progress towards Community integration.

Heading their list of complaints were delays in pushing through the EC's ambitious programme to create a single market by sweeping away all internal obstacles to trade by 1992. Without decisive action, they insisted, Europe's future growth, prosperity and competitiveness would be imperilled.

This high-level lobbying exercise — organised by the Roundtable of European Industrialists, a select club of 30 blue-chip companies — undoubtedly succeeded in conveying the message that top managers are itching with frustration at the red tape and nationalistic fragmentation of Europe's un-common market.

Yet, despite this display of common purpose, views in European industry differ sharply about how much the specific barriers which the EC programme sets out to attack really matter. Even among the Roundtable's members (according to one of them) there are "shades of opinion" about what needs to be done.

Philips, the large Dutch electronics group, is a long-standing campaigner for the internal markot programme and continues to stress that it is crucial to the company's corporate strategy. But at West Germany's Siemens, also a European electronics leader, attitudes are more low-key: "Yes, the topic comes up internally," says one executive. "It's one of a number we discuss. There are many others."

Furthermore, some large chemicals companies, such as West Germany's Bayer and Britain's ICI, say that, irritating as EC hurdles are, they have learned to take them in their stride. "When we ask people, where do you have specific problems which would be solved by the EC programme, answers tend to get a bit thin," according to Mr Friedrich-Wilhelm Pohlenz, head of economic policy at Bayer. "My impression is that for the German chemical industry, Europe is already highly developed as a single market."

Lafarge Coppee, the French company which is the world's biggest cement maker, takes a similar view. "There are no restrictions, nothing prevents us from setting up plants wherever we like," says Mr Jacques Lefevre, an executive vice president. "For us, the common market is complete."

Of 42 companies operating in Europe surveyed by the American Chambers of Commerce in 1985, 32 said they had had no problems winning orders or meeting technical standards and regulatory requirements anywhere in the EC, while fewer than half complained of delays at frontiers. West Germany's chamber of industry and commerce (DIHT) says it stopped polling its members on EC trade obstacles in 1984 because it ceased getting replies.

More generally, a recent study of UK companies by the British Overseas Trade Board found that successful exporters, almost without exception, dismissed customs formalities and other bureaucratic procedures as no more than an administrative nuisance. The most serious barriers to success, the study concluded, were lack of knowledge, commitment and persistence within the firms themselves.

But to judge from this that the internal market programme is unlikely to have more than a marginal impact would almost certainly be wrong. That many companies expect it to make a real difference is clear from the quiet but determined resistance by industries seeking to protect privileged positions in their home markets, and from dark warnings that US and Japanese companies may be the only real beneficiaries.

The severity of trade barriers within the EC varies considerably. Relatively few market sectors are, in practice, completely closed — though those which are tend to be economically important. The biggest is public procurement, roughly 10 per cent of the Community's gross domestic product, where less than 10 per cent of all business is put out to international competition. Four areas where public authorities are major customers — energy, telecommunications, transport and water—are still specifically excluded from the Rome Treaty provisions.

Genuine opening here would be bound to hasten restructuring of industries in which fragmented markets have bred duplication of capacity. Europe still has seven indigenous makers of digital telephone exchanges, compared with three in North America. In power generation, even after the recently agreed merger between Asea of Sweden and Brown Boveri of Switzerland, it has more than three times the number of turbine and boiler makers in the US.

"There would be immense competition, an enormous scramble if markets were opened," says Mr Graham Anderson, deputy chairman of Britain's NEI, a leading power engineering company. He does not welcome the prospect, arguing that competing across the EC would add to the company's costs without guaranteeing any new business. "All European power utilities today are chauvinistic, and in a way all national manufacturers benefit," he says.

Financial services are another no-go area in much of the Community. Though deregulation has begun to open stock markets and banking to wider international competition in Britain and France, restrictions are crumbling much more slowly elsewhere. For example, it is still illegal for insurance companies based in one EC country to sell policies in many others.

In most cases, however, coping with intra-EC differences is largely a question of cost. The motor industry carries a particularly heavy burden, having to grapple with five different emission standards and myriad other national variations in government regulations. "It all makes for horrendous programme planning," says a Ford Europe executive.

In pharmaceuticals, each country insists on its own approvals procedures, while in many types of consumer goods there is a proliferation of different national requirements for labelling and packaging and, sometimes, product specification. Mr Alain Chevalier, chairman of French luxury goods maker Moet-Hennessy, says that to sell some of its cosmetics lines throughout Europe, the company needs to hold three separate sets of stock.

The EC Commission expects to have a clearer idea of these costs later this year, when it plans to publish the results of a research study into the "cost of a non-Europe." Even the most diligent analysis must rely partly on guesswork, however: one economist involved in the study describes it as "like trying to do a three dimensional jigsaw with half the pieces missing." What it cannot hope to discover is how companies' behaviour will change once obstacles are removed, and whether more of them will be emboldened to treat the EC as one market.

The real test of the programme may lie in its ability to alter managers' perceptions

Some critics argue that the opportunities are already there, but that too few companies have had the vision and energy to seize them. "Sheer pusillanimity," says Mr Alain Minc, former finance director of the Saint-Gobain glass group who now heads Cerus, the French holding company of Italian industrialist Mr Carlo de Benedetti.

Mr Andre Delage, a director general of CGE, the French electrical company which last year took control of the European businesses of ITT of the US, accepts that there is some truth in this accusation. "The barriers are important, but in the past we stressed them too much as a reason to do nothing," he says.

On this view, the real test of the internal market programme may lie as much in its ability to alter managers' perceptions as to change objective market conditions. The Commission fears that unless industry is convinced that the single market will become a reality and plans ahead accordingly, the impact of the initiative may be reduced.

For many managements, thinking on a truly pan-European scale will involve a major break with the past. Ironically, the challenge may be as severe for some well-established European multinational groups as for the smaller firms. Companies such as Philips and Unilever, the Anglo-Dutch food processing group, still do much of their business through local subsidiaries which have traditionally developed, made and sold products mainly for the countries in which they are based.

Though Philips, for example, is seeking to rationalise its European operations, it dare not move too fast for fear of offending local sensitivities. As Mr Andre Mercier, chairman of La Radiotechnique, Philips' affiliate in France, points out, its carefully cultivated image as a patriotic "local" company is vital to doing business, particularly when bidding for government contracts. "It's good politics. Philips's genius has been to allow us to keep our specific national identity," he says.

The most striking signs of a more "European" approach by industry is the recent surge of cross-frontier takeovers, such as the CGE-ITT deal and a string of acquisitions by Italian entrepreneurs led by Mr de Benedetti and Mr Raul Gardini.

Some companies, notably Moet-Hennessy and Peugeot, are reorganising their management or seeking to expand their distribution channels so as to position themselves better in EC markets. Britain's ICL computer company has announced plans to open its first plant on the continent.

However, even in France, where the government has mobilised a massive publicity campaign around 1992, such moves are rare. Furthermore, according to industry ministry officials, awareness remains low among the country's thousands of small and medium-sized firms. In Britain, several large companies such as BAT, ICI and GKN are taking a close interest in the internal market programme. But according to Mr John Scates, international director of the Confederation of British Industry, "There's a vast spread of people who know nothing at all about it."

In West Germany, those companies which are not indifferent to the programme appear supremely assured of their ability to cope with it. There is a widespread conviction for an industry with a phenomenal export performance across the globe, selling in Europe is a piece of cake. "Europe, America, Japan, it's all the same to us," says Dr Helmut Becker, head of external relations at BMW.

However, even the most self-confident West German companies insist that a more open internal market is unlikely to be the same as an extended home market. "Some things like government attitudes and institutional structures won't change," says Dr Herbert Stich, executive director of sales and marketing at Siemens. "We will still be thinking in terms of working on the Spanish or Italian markets, not a single European market."

Others agree. "The idea of a totally integrated European market is light years away, because we have different cultures, lifestyles and languages," according to Mr Neil Garrard, a director of McKinsey, the international management consultants. Mr Xavier de Montfalcon, planning director of Merlin-Gerin, a French maker of electrical equipment, insists that adapting to customers' ingrained habits in different EC countries is more important than learning to comply with their technical standards. "Habits are something you can't legislate about," he says.

Even the most ardent enthusiasts of the internal market programme would not disagree. From that standpoint, at least, the real test of the programme may lie as much in its ability to convince more of European industry that the obstacles are surmountable as in its success in eliminating them.

A previous article on this theme appeared on September 9. A third and final piece will examine trans-European corporate strategies.

Men and Matters

Beevor makes a round trip

It is second time round for Antony Beevor, aged 47, solicitor and merchant banker, who will begin a stint as director general of the City of London's Takeover Panel at the panel's regular quarterly meeting on December 11—traditional handing-over day for the job.

Beevor was seconded to the panel for two years in the early 1970s as secretary.

When he left to join Hambros corporate finance department (where he has been ever since and is now a director) the then Governor of the Bank of England, Leslie O'Brien thanked him for his services and added, "I hope to see you back as director general in ten years time."

In the event it has taken Beevor 15 years to make the round trip. But he has a reputation for being a patient man, and says he is looking forward to his two years in the director general's chair.

His father, Miles Beevor, aged 87, also a solicitor and businessman, will be remembered by old City hands as legal adviser to the British Transport Commission, and managing director of the Brush Group.

After Winchester and New College, Oxford, Antony Beevor spent 10 years with Ashhurst, Morris, Crisp, and Co the solicitors, before going to the Takeover Panel. He is married with two children.

Front line

While Beevor yesterday discreetly parried questions about his plans as director general, the size of the task he will face in December was illustrated by the brevity of the present incumbent's supporting appearance at a Press briefing.

John Walker-Haworth had to steal downstairs from a meeting of the full Takeover Panel called to consider the late (and unusually structured) bid by Crownx, the Canadian group, for two money-broking subsidiaries of Mercantile House.

Walker-Haworth's 21-month tenure has seen a flood of takeover activity, unrivalled in volume and relative size for nearly two decades. More significantly perhaps, the innovative skills — and wiles — of takeover artists have never been higher.

After the Guinness affair, the panel's exposed position at the keystone of the City's regulatory structure has become a favourite target for critics.

Its authority has survived an initial legal challenge and should be bolstered by evolving links with the Securities and Investment Board.

Nevertheless, Beevor's appointment has been greeted predictably by some as a "last throw"—the usual hostile description for each amendment to the Takeover Code or change in personnel at the panel.

As an active takeover practitioner—and not once hauled up before the panel—Beevor is expected to take a sensible, non-dogmatic approach which should complement the dominant hand of chairman Robert Alexander.

Beevor himself regrets the changed world since he last worked at the penel, when the code was a thin document indeed, and based on general principles rather than precise rules. His commitment to the panel, however, is undiminished: "It is thet best system for regulating takeovers that anyone has devised so far."

Canadian capers

Britain's MI5 is not the only government intelligence agency to be the topic of some controversy at the moment.

Its counterpart in Ottawa, the Canadian Security Intelligence Service (CSIS) is under a cloud following the resignation of its director, T. D'Arcy Finn.

Finn has stood down after it was revealed in federal court that the agency submitted a misleading affidavit to obtain a wire tap warrant.

The development has given fuel to critics who have persistently claimed that the three-year-old agency, formed to replace the scandal-torn security service of the Royal Canadian Mounted Police, has failed to change its stripes in sufficient degree. Certainly, former police officers continue to be well represented on the agency's payroll.

In selecting Finn's replacement, however, the Mulroney government appears to have signalled its determination to make a break with the past.

Reid Morden, who takes over as CSIS director, is a career-diplomat with no previous experience in Canadian intelligence agencies.

Most recently assistant secretary to the cabinet for foreign and defence policy, Morden had a hand in negotiating the treaty which defines Canada's trade links with the European Community, and is reputed to be a tough administrator.

Although reportedly "stunned" when informed of his new posting, Morden apparently has no doubt about his ability to do the job.

"I think, frankly, that anyone with an exposure to senior policy-making in the government ought to be able to do this," he says.

Roux's return

Ambroise Roux, the long standing eminence grise of French industry and finance, is making a dramatic comeback to the centre stage of French business.

The former chairman of France's powerful Compagnie Generale d'Electricite (CGE), who resigned just before the group was nationalised by the left in 1982, was chosen yesterday to replace Sir James Goldsmith at the top of Generale Occidentale.

Sir James surprised everyone this summer when he sold his controlling interest in Generale Occidentale, his main French company, to the recently privatised CGE.

Ambroise Roux, now 66, appears to have played a major role in the CGE-Goldsmith transaction. Indeed, when the Right returned to power in France last year, Roux also returned to CGE as a member of the telecommunications and heavy engineering group's board.

He will now be spearheading CGE's controversial new diversification into the media and other services through the Goldsmith deal.

Many people say that Roux, one of the great secret fixers of the French business establishment, has for some time been pulling the strings inside CGE, a suggestion which irritates Pierre Suard, the current CGE chairman, appointed by the Right Wing government last year.

A close friend of the late President Georges Pompidou, Roux is also close to Edouard Balladur, the current finance and economy minister who was secretary general at the Elysee Palace in the Pompidou years.

The rotund and jovial Roux also claims to have good relations with President Mitterrand — who is believed to have consulted Roux on a number of occasions on delicate industrial and financial dossiers.

Risk factor

From the Unit Trust Newsletter for September, "We cannot guarantee that letters to the 'Your Questions Answered' page will be answered."

Ah well!

Observer

AGATHA CHRISTIE'S Miss Marple would have enjoyed the assembly of Britain's Liberal Party in Harrogate this week. There were no corpses and no great arguments to speak of. Nothing much happened except that the Liberals agreed, as expected, to begin negotiations with the Social Democrats on the formation of a new party. It might have been called, after a famous book, The Strange Death of Liberal England.

Beneath the surface, however, it was all rather intriguing. Some people did not turn up: the recently ennobled Roy Jenkins, for instance. And if there were no murders, there was character assassination. David Owen, the former Social Democratic Party leader, was the principal victim.

Some of the key characters *did not talk to each other very* much. The relationship between David Steel, the Liberal leader, and Robert Maclennan, Dr Owen's successor, is still at arm's length. Despite having been Scottish MPs together for more than 20 years, they appear scarcely to know each other. Scotland, says Mr Steel, is a big place.

There was also an air of mystery, even if nobody could be sure what the mystery was. The motivation of the characters was mysterious as well. What is Mr Maclennan up to *and what is Mr Steel going to* do next?

Mr Steel is not telling, perhaps for the entirely plausible reason that he has not yet decided. After more than 10 years as party leader, he says that he would be more than happy to make way for a successor. He would hope to continue as an MP, but would devote more time to his interests in Scottish and African affairs.

The trouble is that an obvious choice for the succession, David Penhaligon, the MP for Truro, was killed in a car crash last December. Mr Steel would have had no objection to the leadership of the new party going straight to Dr Owen but, as he says, Dr Owen has deliberately thrown it away.

The successor will almost certainly have to be an MP and *there are very few eligible candidates*. Alan Beith, the deputy to Mr Steel and the MP for Berwick upon Tweed, has been consistently impressive in his speeches to Liberal assemblies over the years, but he is not much known in the country and Mr Steel has not done a great deal to bring him on.

Paddy Ashdown, MP for Yeovil, is full of ambition and energy, but perhaps still a bit wild. Charles Kennedy, the young SDP MP for Ross and Cromarty who quickly embraced the call for the merger with the Liberals and dropped Dr Owen, is a possible long-term candidate, but not yet.

Politics Today: the Liberals at Harrogate

The Steel machine looks a little tarnished

By Malcolm Rutherford


Alan Harper

All this points to Mr Steel as the natural leader of the new party. It would be the next logical step towards bringing about the realignment of British politics which he has long talked of.

Yet, apart from his own re*servations, there are arguments* against this. Mr Steel is beginning to look a bit tarnished. He has been around long enough for there to be blotches on his record.

It is doubtful whether he achieved as much as he would have liked *from the Lib-Lab* pact in the late 1970s. He behaved quite ruthlessly to Mr Jenkins in the 1983 general election campaign. He appears to have been similarly ruthless in blaming Dr Owen for the Alliance not doing better in the election this year and in calling for a merger almost before the results were counted.

There is also a stronger case against him. Mr Steel has never really been interested in ideas. His heart and his head may be generally in the right place, but ideas bore him. For him, realignment is an end in itself. He does not appear to appreciate that a political party only takes off when it has a solid body of thought behind it and represents an identifiable constituency in the country.

He may seem, too, just a shade opportunistic. Why else did he take a lead so quickly after the general election? And what is he doing now—waiting for the new party to give him the crown, or just being indecisive?

Mr Steel says that he will make up his mind in January or February, when the merger negotiations should be more or less complete.

Meanwhile, however, it must be frustrating for the party not to know what his intentions are. After all, the leader should be capable of taking it through the next general election. There can be little point in having an in*terim leader. But that is Mr* Steel's dilemma: does he want to commit himself for the next five years?

Which brings us to Mr Maclennan. Could he, having emerged almost overnight as leader of the SDP, also become a contender to head the new party?

The Liberals do not yet know quite what to make of him. He makes the right gestures. He was warmly received when he mounted the platform to listen to their merger debate on Tuesday. When he offended them it was unintentional. He told the assembly that the new party must accept British nuclear weapons "for the foreseeable future." Some vaguer phrase, like "subject to development in Geneva," would have been preferred by the *Liberals*. In fact, Mr Maclennan treats language very literally. For him, the foreseeable future could be a very short time.

He has also softened a bit on civil nuclear power, after seem*ing to suggest in his speech to* the SDP conference in Portsmouth two weeks ago that the new party must be in favour of it. He now says that he was *merely citing it as an example* of the Alliance not having agreed a common policy before the election.

Mr Maclennan has something *else going for him*, apart from his not being Dr Owen. The Liberals have grown rather to *admire the SDP during the* years of alliance. They think it is better organised than their own party, better at decision-making and altogether more disciplined. They would like the new party to learn from it.

That point was made by, of all people, Michael Meadowcroft, one of the more anarchic of their leading figures, and it is widely felt. The Liberals believe that it would have been time to get their own house into more order, even without the possibility of merger.

Mr Maclennan's problem, of course, is not so much Dr Owen as the 43 per cent of SDP members who voted against the merger. He thinks that it would be no achievement at all, indeed it would be a total disaster, if the merger terms were negotiated and then rejected by *anything like half the SDP*.

Given Dr Owen's position, acceptance of a merger by the SDP is never going to be total. Thus there must be a point at which the rejection rate would be low enough for Mr Maclennan to press ahead regardless.

He is reluctant to talk about this, but it might be around 20 per cent—the level at which *David Sainsbury would think* twice about financing a separate party. Mr Maclennan has virtually written off, which he had not quite done in Portsmouth, the chances of Dr Owen ever coming round to the merger.

The negotiations should now *begin in earnest and there is* one key area of agreement between Mr Steel and Mr Maclennan, even if they have not fully communicated it to each other. It is that the new party must set out to replace the Labour Party as the main opposition to the Conservatives. Only then can it ever hope to become the first force.

There has been a lot of misunderstanding about this and Mr Maclennan did not help his own case by repeatedly stating in Harrogate that the new party would be the third force. Mr Steel did not help either by attacking Dr Owen for creating the impression that the SDP only wanted to ally with Mrs Thatcher, while the Liberals preferred Labour.

In fact, Mr Steel thinks that Dr Owen was giving the Alliance a bad name *in the north* of England and in Scotland by showing too much admiration for the Prime Minister. He agrees that the main aim must be to overtake the Labour Party.

Mr Maclennan's dislike of the corporatism of the Labour Party has all the zeal of someone who used to be part of it. He came *to the conclusion some years* ago that Labour would never win a general election again, and is determined to show that he was right.

Logically, this view of Labour as the main enemy must be correct from the new party's standpoint. There is not going to be electoral reform before the next general election. Therefore, Labour has to be pushed into third place if the new party is to emerge as an alternative government.

Mr Steel and Mr Maclennan should talk to each other. *Politically they have a lot in* common. They have met, however, only twice since the majority of the SDP agreed in principle to seek the merger, and then relatively briefly. Personal relations between them have not become much *closer*.

As Miss Marple, whose creator Agatha Christie spent some time in Harrogate, would no doubt have observed, these things are important. Mr Steel could make his intentions clearer when he addresses the *assembly this afternoon*.

But who knows? The plot thickens, or is it thinning?

Lombard

Why the bezzle is rising

By Richard Lambert

THE Japanese bond market takes a dive — and an important chemicals company is forced into the arms of its bankers, crippled by ill-timed speculation in bond futures. US financial markets go through a volatile phase — and *two or three major investment* banks are hit with enormous losses on speculative transactions which in at least one case had not been properly authorised.

Is this just the tip of an iceberg, with much more waiting to be exposed as the tide of the worldwide bull market ebbs and flows? The answer is that this is almost certainly so. The level of imprudent behaviour — and, what is more, of financial crimes — can be plotted in line with the business cycle. When times are *good and money is plentiful*, managers change their views about what constitutes an acceptable level of risk. They also become less inclined to check expense claims and to slog through rows of numbers in search of discrepancies. And although there is plenty of money around, there are always people who want more.

Successful speculators are envied and imitated, and errors of judgement — or outright *dishonesty* — can be hidden behind the general increase in profits and share prices.

In a depression, all this is reversed. As Professor J. K. Galbraith once put it, money is watched with a narrow, suspicious eye, and the man who handles it is assumed to be dishonest until he proves himself otherwise. Audits are penetrat*ing and meticulous, and com*mercial morality is enormously improved. Thus the period after the financial crash of 1974 was one of the most austere in recent memory. After the excesses earlier in the decade, hairshirts were much in fashion, and property developer became a term of abuse.

Galbraith developed a neat concept to describe this cycle. At any given time, there exists an inventory of undiscovered embezzlement in—or rather not in—the nation's businesses and banks. This he described as the bezzle, a pool of money which expands and shrinks in line with business conditions. In the case of fraud, there may be a long gap between the moment when the crime is committed and the victim begins to feel any pain, a happy period in which society as a whole feels itself to be considerably better off than actually may be the case.

The most sensational example of the bezzle in operation was that of the Union Industrial Bank of Flint, Michigan. The assistant cashier started embezzling money from the bank early in 1928 to play the New York Stock Market. In the next few months, it gradually dawned on him that more than a dozen of his colleagues were *doing* the same thing, and that there might well be safety in numbers. Soon, the conspirators *took to having* well attended weekly meetings in the board room to discuss their investments. Reliable bell boys in the local hotels were retained to give early warning of the arrival of the bank examiners.

In this case, the bezzle did not lead to much of a net increase in the sum of human happiness, since the group showed an uncanny ability to pick the wrong stocks. They went short just before the market took off in the early summer of 1929, and decided there was only one way left to balance the bank's books—by taking out a major long position. This they did, shortly before Black Thursday. The "league of gentlemen," as they liked to call themselves, turned out to be model prisoners in their adjoining cells in Michigan State Penitentiary.

Without looking for anything on quite this extravagant scale, the strong bull market of recent years has obviously encouraged all sorts of excesses, both honest and otherwise. Major transactions have been made on the assumption that profits and security prices will continue to rise for the foreseeable future; leveraged buy-outs being the obvious example. Balance sheet structures and overhead expenses have been enormously expanded on a similar basis. And, yes, sand-filled socks have yet to fall on happy, gullible heads as the result of crimes *already committed*. The bezzle is running in big numbers.

Letters to the Editor

Catching up with the West

From the Editor, La Découverte.

Sir, — In his Lombard column (September 4) Leslie Collit asks why Hungary, which introduced market reforms, has done so badly while East Germany, which stuck to "orthodox" central planning, has done so well. This is confirmed by figures from national accounts: real annual growth was 0.9 per cent in Hungary during 1979-1986, while it was 4.4 per cent in East Germany during the same period.

Mr Collit gives two reasons which seem to me quite insufficient. The first is the "German spirit" argument. If this was a significant explanatory variable, *one would expect much lower* growth rates in non-German centrally planned economies. This is not the case and the annual growth rate (for 1979-86) has been much faster than in Hungary in all countries that stuck to orthodox planning (4.3 per cent in Bulgaria, 2.1 per cent in Czechoslovakia, 4.6 per cent in Romania, 3.7 per cent in the USSR and 3 per cent in Albania).

The second argument is that market reforms have not gone far enough in Hungary. What is implied, I believe, is that *economic freedom not having* been implemented enough cannot manifest its intrinsic superiority. If this were a significant variable one would expect fast growth in small European market economies of a similar level of development, like Greece or Yugoslavia or a bit farther away, like Ireland and Portugal. But the growth rate in these countries has been very slow, and close to that of Hungary (1 per cent in Greece, 1.3 per cent in Yugoslavia, 1.9 per cent in Ireland and 2.7 per cent in Portugal). The under*lying idea in this second argu*ment is that economic freedom will spur individual initiative to its maximum, and that the market will guide it in the best possible direction. I thought everyone knew that this was only true under very special assumptions.

A more serious explanation of the paradox that intrigues Leslie Collit is that the "risk taking market economy" does not necessarily, and under all circumstances, produce better results than central planning. The Americans and the British found this out during the first and second World Wars when the task was to produce maximum amounts of known commodities. Central planning proved vastly superior.

I propose a double explanation for the indisputable better performance of centrally planned economies during the second phase of the world crisis (1979-86). The first is that these countries are catching up with the West and that there is a strong similarity between catching up and producing maximum amounts of known goods (as in a war economy). With a tolerably competent bureaucracy and a minimum of social discipline, central planning should normally (in many *respects at least) produce* better results than the market, in catching up. There is nothing new in this idea, and no one should understand it as meaning that catching up is simply a linear programming problem consisting in choosing technologies already tested in the West. There is no doubt of the role that discovery, innovation and incentives play in the process of catching up.

The second explanation is that the rigidity, the routine, and the relatively "autarkic" character of their economic *situation, factors* which in general tend to reduce growth in comparison to what it could be, have protected orthodox centrally planned countries from the violent fluctuations the world market has experienced lately. What has been *protected of course* is their capacity for real growth, not always their disposable income.

Francisco Vergara,
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Paris 75005.

Smoking and sickness

From Joy Townsend

Sir,—Having recently returned from holiday I write in reply to the letter (August 22) by the director of public affairs of the Tobacco Advisory Council. My original letter to you included references to my statistical sources but these were edited out. According to the Annual Abstract of Statistics the index of production of the UK tobacco industry was 5 per cent higher in 1973 than in 1984 (95.0 compared to 90.3 with 1980=100). According to the Employment Gazette, employment in the industry was 50 per cent higher in 1973 than in 1984 (33,200 compared to 22,000). There are some year by year differences in published government statistics due to updating, but my point stands clearly that the change in employment is of a far greater order than that of production.

That sickness rates of smokers are higher than those of non-smokers is also well documented. For example the recently published British Health and Lifestyle Survey reports that male current smokers of working age were nearly twice as likely to have high illness ratings when compared with non-smokers. The same survey quotes the main reason for men giving up smoking as current ill health.

Joy Townsend,
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Watford Road,
Harrow, Middlesex.

Life goes on past forties

From the Director, Erasmus University Centre for International Energy Studies

Sir,—Your correspondent's survey of the North Sea's prospects (September 7) correctly emphasised the importance of the appreciation of fields' reserves over time and the significant remaining exploration potential. The North Sea oil province is, in other words, evolving in exactly the same way as all other major provinces as we argued it would in the two studies we published in the mid-1970s.

Our work was, however, virulently criticised and the disbelief in our conclusions was reflected in the widely expressed views of North Sea oil as a limited, short-term phenomenon with production as well as investment and revenues declining even more quickly than they expanded: leading to the "what shall we do when the oil runs out" attitude to oil in the national economy.

Unhappily, in spite of Lucy Kellaway's more realistic presentation on the outlook, the diagram (which so prominently *accompanies her article) showing* the production profile to 2005 appears to be based on data which reflect the earlier unjustified pessimism; thus helping to perpetuate the myth of a country soon to be re-dependent on imported energy *and/or* more expensive indigenous alternatives as well as of a national exchequer devoid of revenues from oil production!

Given an oil price at present levels, and a continuing willingness of successive governments appropriately to modify concession and taxation regimes so as to encourage oil exploitation, then known and potential reserves (from both fields' appreciation and continuing new discoveries) could maintain the UK's oil production at around 100m tons per annum (2m b/d) for the rest of the century: providing the producing companies can find outlets for all this UK oil in a long-term situation of gross over-supply in the international oil market with oil prices as high as $18-20 per barrel. Here, on the demand side, lies the greatest uncertainty for the prospects for the British oil sector—and the associated macro-economic implications.

Peter R. Odell.
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3000 DR Rotterdam.

How graduates fared

From the Secretary, University of Cambridge Careers Service Syndicate.

Sir, — Michael Dixon mentioned various deficiencies in his league table of universities by output of graduates (September 9) but the categories of first destination which he uses incorporate another deficiency.

He combines the figures for those not employed at the end of December, for those in short-term employment and for those not available for employment. To use the sum of those figures as the indicator of unemployment is unrealistic, and ignores important changes in the pattern of movement into employment.

In some fields, traditional trainee entry arrangements have virtually ceased, largely because of externally induced financial pressures, and have been replaced by the need to acquire a track record through a series of short-term jobs. People seeking careers in such fields (museum work, for instance) will therefore appear in the category "short-term employment," as inevitably as potential chartered accountants will appear in "permanent *employment" and potential* solicitors in "further full-time study or training." Of course, the size of that category has increased, but the increase reflects the stance of employers rather than the employability of graduates.

Michael Dixon himself raises a question over the fact that the numbers "not available for employment" have been rising. It is, of course, difficult to be sure why people do not do things — in this case, why they do not make themselves available for employment — but it is apparent that increasing numbers of graduates are choosing to delay their search for employment, often in order to do something maturing and educationally useful, like foreign travel, beforehand.

Michael Dixon is more experienced and better informed than most in interpreting the first destination statistics, and would, I feel sure, agree that they have one major imperfection. They are a snapshot, used to record a situation which is changing more rapidly than at any time in the past 25 years.

Bill Kirkman,
Stuart House,
Mill Lane,
Cambridge.

FINANCIAL TIMES

Friday September 18 1987

William Dawkins reports from Luxembourg on taxing the limits of EC members' sovereignty

VAT hearing no joke for Britain and Ireland

WHETHER farmers' boots could qualify for the same tax relief as food because they were involved in making agricultural produce was among the more arcane points raised during a preliminary hearing earlier this week at the European Court of Justice in Luxembourg.

The issue behind this is no joke for Britain and Ireland. They were in court to defend their right to give VAT exemption to a far wider range of products than the European Commission would like.

In Britain's case, this includes the country's 30,000 construction companies, which could see their tax bills driven up by £1.2bn if forced to pay 15 per cent VAT on new work.

The consequences, the UK Building Employers Confederation (BEC) fears, could be to squeeze demand for private housing and impose a new constraint on public construction, already struggling under government spending limits. The extra costs would, of course, be passed on to the public, with a knock-on effect on inflation.

The case is an unusually political one for the court - and is seen by some officials as an unwelcome encroachment on its judicial independence.

On the surface of it, the Commission's legal action against Britain and Ireland is straightforward. According to EC rules, VAT zero rating should be allowed only for clearly defined social reasons or to benefit the final consumer, both of which touch sensitive questions of national sovereignty.

The Commission argues that neither of those conditions apply to an assortment of zero-rated products in Britain, from new construction (though council houses can continue to be exempt), through to protective boots, animal feed, as well as energy, water and sewerage supplied to industry.

Ireland, meanwhile, is defending its right to give favourable treatment to a smaller list including electricity for businesses, fertiliser and seeds.

The UK argues that the Commission has no right to challenge its decisions on which sectors should come in for VAT exemption at a time when an already controversial draft EC directive proposes to abolish the whole system of zero-rating.

Put forward by Lord Cockfield, the - ironically British - commissioner responsible for the internal market, the package aims to remove what the Commission fears is a key distortion to free trade by narrowing the differences in VAT rates charged by member states.

The case is made all the more controversial by the fact that the Cockfield package leaves construction out of the socially-sensitive sectors to be covered by the lower rate which it envisages in its two-tier VAT system for the future.

Lord Cockfield: controversial package

Britain, an otherwise eager supporter of the drive for a free community market by 1992, cannot accept Lord Cockfield's proposal, which it sees as a challenge to the Treasury's most basic right - to decide its own taxes.

Clearly, the outcome of the Luxembourg case will crucially affect the negotiating power of both the UK and the Commission when the VAT draft comes for debate in the Council of Ministers in the next few months, and it is this which threatens to plunge the court into a political fight. Its advocate general, Mr Marco Darmon, is expected to give an opinion by mid-November. If past cases are anything to go by, that will be in line with the final judgment, expected next spring.

The Commission, meanwhile, cannot accept that Britain should get away with charging VAT on just 44 per cent of private spending and Ireland 35 per cent, when most member states tax 90 per cent of consumption.

Neither can it accept that the private construction industry, as opposed to local authority housing, exists for clear social reasons. This rigid distinction is just not appropriate. Our policy is for homes, whether they are for rich or poor, argued Mr David Vaughan, Britain's counsel.

The Commission freely accepts that member-states' social policies should, to a point, be their own business. The real bone of contention is how far the UK and Ireland go in allowing VAT relief for products that benefit the final consumer.

It does not dispute, for instance, that food could be VAT-free, but does draw the line at products involved indirectly in making food, which is where the farmers' boots and animal feed come in.

Boots used in the production of food? Certainly not in Ireland, said Mr Eoin Fitzsimons, Dublin's counsel.

On a more serious level, fuel and power for industry should pay VAT because the final consumer does not benefit directly, argues the Commission, which does not dispute that private energy supplies should continue to be exempt.

Britain maintains that the whole question of where zero-rating should be allowed is of only academic interest to the Commission. The practice has no impact on the resources the EC gets as a share of member-states' VAT income - the main source of community funding - because governments automatically compensate Brussels for VAT revenue lost through zero-rating.

It is not as if zero rating gives the products at question in this case an unfair advantage over EC competitors, adds the UK. "You just don't trade buildings across borders," says Mr John Ray, secretary of the BEC's tax committee.

US textile industry 'optimistic' on quotas

BY NANCY DUNNE IN WASHINGTON

THE US textile industry yesterday attempted a note of optimism about its chances of getting the import quotas it wants, after the US House of Representatives passed legislation on Wednesday by a vote of only 263 to 156.

An industry spokesman talked of "building" on the number of yes votes to get the 290 votes necessary to override a certain presidential veto. But, in truth, an override is unlikely.

From the start, the legislation to place tight limits on imports of textiles, clothing and shoes, was in trouble. It failed to get the support of key members, including Mr Dan Rostenkowski, chairman of the important House Ways and Means Committee, and Mr Sam Gibbons, chairman of the trade sub-committee.

"Sector specific" protectionist trade measures have proved to be a lightning rod for conservative opposition, so the two men sought to concentrate their energies on the omnibus trade bill, now in a House Senate conference. The latter, though massive and potentially destabilising, stresses "reciprocity" and prodding on foreign markets rather than close American markets.

The textile bill also attracted wide opposition from farm, retail, export and consumer interests. Mr George Gekas, a Pennsylvanian Republican, expressed the dilemma many Congressmen were facing in Wednesday's debate.

"Can we exert the wisdom of Solomon to choose which of our fellow Americans would be most helped or hurt by this legislation?" he asked. In the end he voted, reluctantly, for the measure because "in the shoe industry the numbers (of market losses) are so horrible that even I, a staunch free trader, must have pause."

The vote cut across party lines, attracting most support in states where the industries have suffered great losses. Of the Democrats, 193 voted for the measure while 54 opposed it. Seventy Republicans voted in favour and 102 voted against.

Mr Donald Pease, an Ohio Democrat, spoke fervently of the Reagan Administration's "maladministration of trade policy early in the decade," and warned: "We have no assurance it won't be repeated."

However, he voted against the measure because it would, he said, violate international trade rules and send the wrong message just as the Uruguay Gatt round is getting under way.

The debate demonstrated no lessening of the shrill rhetoric heard against President Reagan and the Japanese. Mr James Traficant Junior, an Ohio Democrat, fumed that "this president is not finished yet and won't be until he has a full-grown rice paddy on the east lawn of the White House."

Reagan speaks of America's solemn duty

BY LIONEL BARBER IN WASHINGTON

PRESIDENT REAGAN yesterday celebrated the 200th anniversary of the US constitution declaring that it was America's solemn duty to spread its principles of freedom and limited government to the rest of mankind.

Standing in front of Independence Wall in Philadelphia, where the founding Fathers gathered 200 years ago to debate and sign the constitutional, Mr Reagan spoke with missionary zeal about his country's calling in the world

"The guiding hand of Provindence did not create this new nation of America for ourselves alone, but for a higher cause - the preservation and extension of the sacred fire of human liberty. That is America's solemn duty," the 76-year-old President said.

High above, seven white balloons marked "Stop Contra Aid" hovered in the rain, a reminder that some Americans were ready on this anniversary day to exercise their First Amendment rights to oppose the US backed rebels in Nicaragua.

Yesterday brought to a climax months of national celebrations of the constitution which have also been mixed with debate among scholars about whether the original four page document meet the needs of the modern US state.

Some 32 states have called for a Constitutional Amendment to require a balanced federal budget. President Reagan himself has called for an economic Bill of Rights but two more states' signatures are needed to reconvene a convention and, over the years, the Constitution has proved remarkably enduring.

By historical coincidence, 1987 has seen the Constitution in dramatic action; the summer congressional inquiry into the Iran Contra affair and this week's Senate scrutiny of President Reagan's conservative nominee for the US Supreme Court.

In his speech yesterday, Mr Reagan gave a plug to the hard pressed judge and later, at a Republican fund raising event, singled out Senator Arlen Spector of Pennsylvania for special praise. Senator Spector is a swing vote on the divided Senate judiciary committee considering the Bork nomination.

Politics aside, yesterday's pagent contained a healthy dose of American showbiz and a guide to American pride: three 15 foot motorised robots, Dennis Connor's America's Cup winning yacht, a 16-member syncronised Briefcase Drill Team composed of dancing California bankers and lawyers and a chunky looking Joe Frazier, the former heavyweight boxing champion.

UK moves to speed up merger inquiries

BY RICHARD WATERS IN LONDON

THE UK Government has called in outside consultants to recomend ways of speeding up official investigations into takeovers and mergers.

The review, being carried out by management consultants from Ernst & Whinney, the accountancy firm, follows growing City of London concern that Monopolies and Mergers Commission investigations take too long.

The review will cover the operations of the Office of Fair Trading, the Department of Trade and Industry's competition policy branch and the commission. The consultants have been appointed to look at "merger control procedures", the Department said.

The proposed takeover by British Airways of British Caledonian in July brought the question of timing to a head. The two airlines said that the deal would be called off if a monopolies investigation took the usual six months. Lord Young, Trade and Industry Secretary, subsequently directed the commission to report within three months.

Last week the Government also limited to three months a commission investigation into the sale of WH Smith's book club interests.

Insiders believe that investigations could be completed in even less time than this.

The speed with which the Office of Fair Trading makes a recommendation to ministers for a referral will also come under review. In the British Airways case, it reached its recommendation in less than two weeks - seen at the time as very quick, and an indication that it has fewer problems to overcome than the commission.

The consultants, called in at short notice at the beginning of this month, have been given until the end of October to complete their review.

The review is part of a wide-ranging government review of competition policy.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	32	90	Malta	S	33	91	Rhodes	S	34	93
Algiers	S	31	88	Edinburgh	C	15	59	Manchester	C	16	61	Rio de J'o	-	-	-
Amsterdam	S	21	70	Faro	S	28	82	Manila	-	-	-	Rome	S	30	86
Athens	S	33	91	Florence	S	31	88	Melbourne	C	13	55	Salzburg	S	27	81
Bahrain	S	35	95	Frankfurt	S	22	72	Mexico City	-	-	-	San Francisco	S	13	55
Bangkok	C	32	90	Funchal	S	27	81	Miami	S	26	79	Seoul	S	23	73
Barcelona	S	28	82	Geneva	S	27	81	Milan	S	27	81	Singapore	F	31	88
Beirut	S	26	79	Gibraltar	F	25	77	Montreal	S	11	52	Stockholm	S	12	54
Belfast	S	15	59	Glasgow	C	16	61	Moscow	F	12	54	Strasbourg	S	27	81
Belgrade	S	28	82	Guernsey	F	19	66	Munich	S	28	82	Sydney	S	18	64
Berlin	C	16	61	Helsinki	F	11	52	Nairobi	F	27	81	Taipei	-	-	-
Biarritz	S	30	86	H. Kong	S	30	86	Naples	S	33	91	Tangier	S	30	86
Bombay	F	31	88	Innsbruck	S	25	77	Nassau	-	-	-	Tel Aviv	S	29	84
Bordeaux	S	34	93	Inverness	C	13	55	New Delhi	S	34	93	Tenerife	S	27	81
Brussels	S	25	77	Islamabad	-	-	-	New York	C	22	72	Tokyo	F	24	75
Budapest	S	23	73	Istanbul	S	26	79	Nice	S	26	79	Toronto	C	16	61
B. Aires	C	13	55	Jakarta	-	-	-	Nicosia	-	-	-	Tunis	C	30	86
Cairo	S	34	93	Jersey	S	23	73	Oporto	S	30	86	Valencia	S	30	86
Cape Town	S	18	64	Jo'burg	C	11	52	Oslo	R	10	50	Venice	S	26	79
Caracas	C	28	82	Lisbon	S	29	84	Paris	S	28	82	Vienna	S	23	73
Casablanca	S	33	91	London	S	24	75	Peking	-	-	-	Warsaw	F	16	61
Chicago	C	19	66	Los Angeles	C	19	66	Prague	S	23	73	Washington	C	27	81
Cologne	C	24	75	Luxembourg	F	23	73	Reykjavik	S	4	39	Zurich	S	28	82
Copenhagen	F	13	55	Madrid	S	28	82								
Corfu	S	27	81	Majorca	S	34	93								
Dallas	C	22	72	Malaga	S	27	81								
Dublin	F	17	63												

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

British unemployment falls to four year low

BY PHILIP STEPHENS, IN LONDON

THE BRITISH Government's optimism over the outlook for the UK economy was given a further boost yesterday by a fall of more than 43,000 in the official unemployment total, a continuing productivity surge and a upturn in investment spending.

The decline in the jobless total was the 14th consecutive monthly fall and it leaves the official figure of 2.833m at its lowest level for over four years. Alongside the jobs' statistics, the Department of Employment reported a 7.2 per cent increase in productivity growth over the past year.

The Department of Trade and Industry, meanwhile, said that the volume of investment spending by manufacturing industry rose by a nearly 14 per cent in the second quarter of this year. It also revised upwards its estimates of Britain's overseas earnings for the first half of the year, changing what was thought to be a small deficit on the current account into a surplus.

Mr Nigel Lawson, the Chancellor of the Exchequer, however, rejected any idea that the economy was overheating. Britain was likely to record-above trend growth this month, but that was unlikely to carry through into 1988. Last month's one point rise in interest rates was enough to head off any risk of higher inflation.

Yesterday's batch of favourable economic statistics were the second this week, following news on Wednesday of a sharp rise in manufacturing output and a brightening outlook for sizeable tax cuts in next year's budget.

It was marred, however, by signs that the growth of average earnings in Britain's manufacturing industry is beginning to edge up in response to the strength of output. Despite the strong gains in productivity, the earnings figures are translating into some acceleration in unit costs.

Overall, yesterday's figures were well-received in the City of London but the reponse from financial markets was muted by concern that the present pace of economic growth cannot be sustained without pushing up inflation. In particular, the markets are uncertain ahead of today's figures for the money supply, after evidence last month of a rapid acceleration in credit demand.

Mr Lawson would not be drawn on the prospects for tax cuts in next year's Budget but acknowledged that "Public finances are clearly under very good control".

For the opposition Labour Party, Mr Michael Meacher, the shadow employment minister, said that the fall in the unemployment figure was welcome, but it was brought about largely as a result of the Government's pre-election spending spree. "It is only tragic that all this £4bn ($6.4bn) was fed into a huge consumer credit spree which will peter out next year when unemployment will start to rise again."

The sharp fall in the jobless total over the past year in part reflects the expansion of the government's special measures - the numbers on the Youth Training Scheme, in particular, have risen steeply.

There is also increasing evidence, however, that the strength of the economy is translating into rising employment, with a slowdown in the numbers of jobs being lost in manufacturing coinciding with continuing growth in employment in service industries.

Yesterday's statistics for earnings show that the average annual increase in the manufacturing sector has edged up to 8¼ per cent.

Guinness buys US distributor

By Lisa Wood in London

GUINNESS, the international drinks group, has bought for $480m Schenley Industries, a major distributor of its brands in the US and owned by Riklis Family Corporation.

The acquisition, announced yesterday, overshadowed Guinness's interim financial results for the year to June 30 1987, which, in yielding a pre-tax profit of £151m ($248m), was less than City of London forecasts.

Schenley Industries, owned by Mr Meshulam Riklis, is the sixth largest wine and spirits business in the US. It is expected to have sales of more than $500m and profits before interest and taxes of about $65m in the year ended January 31 1988.

The company, which has a number of its own brands, distributes major Guinness brands in the US including Dewar's White Label whisky and Gordon's Gin.

The acquisition is in line with Guinness's strategy of gaining more control of its distribution outlets as it and other major drinks companies battle for global markets.

In addition, the acquisition resolves a legal wrangle between Mr Riklis and Guinness over the ownership of the Dewar's whisky trademark in the US. Dewar's, formerly owned by Distillers, acquired by Guinness in April 1986, is the leading Scotch whisky brand in the US.

The $450m purchase price will be paid in cash from existing funds. However, a further consideration valued at about $110m is payable in cash during the next five years depending on sales volume. In addition, Guinness will assume approximately $75m of debt relating to the wines and spirits business.

The acquisition was well received in the City of London although there was disappointment over the interim financial results. Guinness acquired Distillers in April last year and if Distillers had been included for the whole of the first six months of last year, the interim result this year of £151m would compare with £142m last year.

A net interim dividend of 3p is to be paid with a forecast by Guinness's board of a final dividend of 6.2p, giving a total net dividend of 9.2p for the year.

Face lift for Marshall Field

Continued from Page 1

a long succession of rebuilding and redecoration schemes since Mr Marshall Field, a former store clerk from Massachusetts, started his first Chicago shop in 1865.

He lost one store in the Great Chicago Fire of 1871, then rebuilt it, only to lose it again in another blaze six years later. However, his most grandiose creation was in 1902, when four years before his death he built massive pillars to flank the State Street entrance. They were the tallest stone monoliths west of the ruins of Karnak on the Nile.

In 1986, the State Street store - which itself dates back to 1879 - accounted for 20 per cent of the Marshall Field retail chain's sales of $1bn.

However, BAT's theory is that many suburban consumers also use the State Street store for window-shopping, then buy goods from the other 14 Marshall Field stores in the city's metropolitan area.

BAT has been encouraging swift growth by the Marshall Field chain, whose sales have doubled since 1982.

THE LEX COLUMN

High spirits at Guinness

The market may still be a touch undecided over the merits of Guinness shares, but the company's operations are starting to emerge in a clearer and more flattering light. The Schenley deal, obviously right in strategic terms, seems to be coming comparatively cheap. The interim figures, which yesterday had the analysts cheerfully acknowledging the guesswork of their previous forecasts, now form a basis for more reasoned growth projections over the next few years.

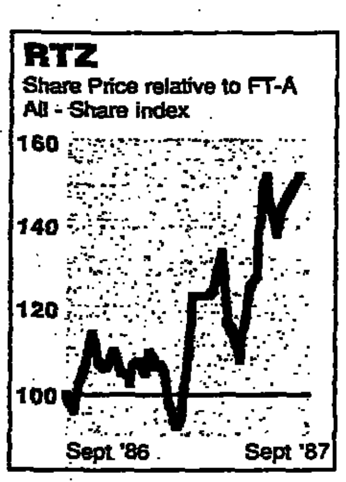
The figures also confirm the extent to which Guinness is now a new version of the old Distillers. Brewing profits - down mainly because of an extra £9m spent on advertising - have shrunk to less than a sixth of the pre-interest total. However, costs in distilling are now some £20m lower on an annualised basis, with twice as much promised again as production and domestic marketing are knocked into shape. On a longer view, the picture for spirits worldwide is scarcely one of growth. The formula for survival is by now familiar - genuinely international brands, controlled all the way from production to point of sale. It is also the formula pioneered by Mr Anthony Tennant's old employer, IDV, and Guinness took some pride yesterday in pointing out that the $555m (including assumed debt) paid for Schenley is cheaper at 8.3 times pre-interest profits than the 8.7 times paid by IDV for Heublein.

Revised forecasts of something over £400m for the full year put the shares, down 8p yesterday at 367p, on a prospective multiple of just over 12. This is roughly in line with the sector, which seems fair given that growth should be below average this year but above average next. There is also, of course, the threat of litigation from Argyll and the overhang of shares held by Schenley's parent; but these are problems of the old Guinness, and the shares are starting to look to the new.

Markets

Those cynics who thought that the Government was deliberately priming the market for the BP issue are looking more and more plausible. After equities were knocked down by a base rate rise in August, they are now obligingly running up again just as the sale details are filtering out. The economy is in fine shape - we have one month's figures and the Chancellor's word to prove it. Overheating worries have gone; unit wage cost increases are low, even if earnings rises are uncomfortably above inflation, and industrial output is keeping pace with retail sales increases. Even the trade figures have been revised to show a surplus in the first half of the year.

Yesterday's buoyant mood could be reversed at a stroke today should the bank lending figures turn out much above £3bn. But barring that accident, and so long as the UK can keep its attention away from Wall Street, the market might be set fair - at least until the end of October.



RTZ

RTZ's shares have risen from under £6 to over £14 during the last twelve months, enabling the company to overtake its old rival Anglo American in terms of stock market capitalisation. But as yesterday's 21 per cent rise in net profits underlined, it is the group's sprawling industrial interests which are powering growth these days and not its traditional business as a mining finance house. The combined contribution from CRA, Rio Algom and Palabora fell by close to a fifth in the first six months, and together chipped in less than RTZ's wholly-owned metal fabricating and speciality chemicals activities. Indeed, two thirds of the group's profits are now coming from industrial products and a £23m rise in net profits from this source more than offset flat energy earnings and marginally lower earnings from metals.

The combination of a surprisingly strong Australian dollar and a temporary loss of market share by CRA's Hammersley Iron property explains the sharp drop in group profits from down under. But with the announcement of another round of substantial redundancies, CRA's performance should start to improve, and RTZ should also begin reaping the benefits of the recent surge in metals prices in the second half. Aluminium prices, for example, are 28 per cent up on the first half average, and this will help RTZ earn upwards of £275m for the full year, putting it on a prospective multiple of around 17 times earnings. For a cyclical mining stock this sort of multiple would look undemanding, but if it is treated as an industrial company, it looks more than enough given its relatively unexciting profits outlook over the next couple of years.

Reckitt & Colman

When Reckitt & Colman bought Airwick in late 1984, the City was slow to realise how significantly the merger would increase profit margins in 1986 and beyond. Similarly the purchase of Durkee in the US last autumn has had the effect of depressing group profit growth in the first half of 1987. Durkee made a pre-tax loss in that period but before related interest charges of around $5m or so it made a profit and after the seasonally stronger second half it should comfortably cover its financing costs for the year. It is only in the second half that the sales force will be merged with French's and the two office blocks be replaced by one. And when US margins do rise again they will be on the higher combined sales.

Durkee is not solely responsible for yesterday's share price fall of 27p to 1085p. The rearrangement of the Australian business did not help understanding of the results. And analysts had hoped that Reckitt would say more than it did about polyacrylate polymer, the drug which combined with cimetidine might lower the required dosage for treating ulcers. With pharmaceutical profits under 20 per cent of the total it takes a lot of excitement in that area to shift the shares. Failing that encouragement, earnings growth is likely to be roughly in line with the market average this year, and a prospective multiple of 16.5 is hardly enticing. Eventually, though, better margins at Durkee and more acquisitions should help the shares to regain their sheen.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday September 18 1987

Owens-Illinois to acquire Brockway for $744m

BY DEBORAH HARGREAVES IN NEW YORK

OWENS-ILLINOIS, the largest US glass container manufacturer which went private in February in a leveraged buyout, is negotiating to acquire Brockway, the second largest glass container supplier in the US, in a deal worth around $744m.

The company said that provided Brockway's board agrees to the proposed merger in a special meeting scheduled for late yesterday, it would launch a cash tender offer of $60 a share for Brockway's 12.4m common shares outstanding.

Brockway, which operates 11 glass container plants in the US as well as a plastic and metals container business and a commuter air service, had sales last year of $1.66bn. An official for Owens-Illinois said the company considered that a combination of the two companies, which would benefit from Owens' proprietary technology, could develop a very competitive glass container business.

This would boost the ability of glass to compete against other materials, particularly in the beer and soft drinks market, where glass has faced a tough job to remain competitive in recent years, he added. Both companies also have plastics and metals packaging businesses.

Owens-Illinois believes this is the first instance of a company, recently gone private, making a bid for a major public company. Owens-Illinois went private after it accepted an offer earlier this year from Kohlberg, Kravis & Roberts, the investment firm which specialises in taking companies private.

Brockway's share prices was up $19¾ to trade just below the offer price at $58¾ yesterday morning.

As part of the merger agreement, Brockway will grant Owens-Illinois an option to buy 2.3m shares, or 18.5 per cent of the outstanding shares, at $60 a share.

Brockway also agreed that if the merger is approved and the company is acquired by a third party, it would pay Owens a fee of $37.5m.

Heileman rejects Alan Bond bid

BY OUR FINANCIAL STAFF

G HEILEMAN BREWING, the fourth-largest US brewer, yesterday rejected the $1.2bn unsolicited takeover bid from Australia's Mr Alan Bond, but left the door open for talks with the Australian brewing and resources magnate.

The move by Milwaukee-based Heileman's came as Wisconsin legislators finalised passage for a pair of anti-takeover proposals prompted by Mr Bond's bid. The State Governor, Mr Tommy Thompson, was expected to sign the measures yesterday.

Heileman said its board unanimously determined that the $38-a-share tender offer launched on September 4 by Amber Acquisition, a unit of Bond Corporation Holdings, Australia's second-largest brewer, was "inadequate and is not in the best interests of the company or its shareholders."

In language that is becoming a hallmark of takeover defences, Heileman said it had instructed Merrill Lynch Capital Markets, its financial adviser, to explore alternatives to enable shareholders to realise the full value inherent in the company.

The board also determined not to redeem Heileman's outstanding "poison pill" preferred stock pruchase rights in response to the offer.

FAI buys 19.9% share in Renouf

BY ANDREW MARSHALL IN LONDON

FAI, Mr Larry Adler's Australian insurance and financial services organisation, has taken a 19.9 per cent share in Renouf, the New Zealand banking, industrial and property group previously controlled by Mr Bruce Judge.

Mr Judge has resigned as chairman, but will stay on the board.

The move follows a period of uncertainty generated by the decision of Ariadne, Mr Judge's Australian flagship group, to reduce its holding in the company from 50 per cent to 14 per cent, and to transfer the balance to Judge Corporation, Mr Judge's New Zealand investment vehicle, and an overseas associate.

FAI has now bought 52m shares, with Sir Francis Renouf the company's founder, taking a further 15m to increase his holding to 57m.

DFC Ventures, the equity investment arm of DFC New Zealand, the government-owned financial group, will buy 8m. Sir Francis has been elected chairman

Analysts say that the resolution of Ariadne's position and the arrival of FAI are positive developments for Renouf, which is considered to be undervalued at its current price of NZ$3.12 a share. Renouf recorded profits of NZ$150m (US$96m) for the year ended June 1987.

Crownx's Mercantile counter-bid thwarted

By David Lascelles in London

CROWNX, the Canadian financial services and health care company, was thwarted yesterday in its last minute attempt to intervene in British & Commonwealth's takeover of Mercantile House.

The Takeover Panel, the voluntary body which regulates the City of London's takeover activity, gave a ruling which prevented Crownx from going ahead with a controversial counter-offer for the wholesale broking units of Mercantile House which B&C intends to spin off.

As a result, Crownx's bid lapsed, and Crownx tendered its 14.9 per cent holding in Mercantile House to B&C which now intends to complete the takeover as soon as possible. B&C said it was delighted with the ruling. Mr Gary Klesch, the owner of Quadrex, the securities firm which had already made an agreement to buy the wholesale broking businesses, was not immediately available for comment. But he had previously denounced the Crownx offer as "a bribe".

The Panel, which met in urgent full session yesterday morning, issued a detailed five page statement last night which concluded that the deal between B&C and Quadrex should go ahead. It also absolved Mercantile House from holding a special shareholders' meeting to approve the deal. This meeting, which was required by the Takeover Code, was scheduled for next Monday

Crownx had offered £280m ($456m) for Mercantile's wholesale broking units, the same as Mr Klesch. However in a move believed to be unprecedented it also offered to pay Mercantile shareholders 10p a share if it was allowed to buy the businesses instead of Mr Klesch.

Anatole Kaletsky in New York looks behind the scenes at Coca-Cola's foray into Hollywood

Puttnam exit stirs Coke's critics

IT SEEMED a bit implausible from the beginning. Applying the principles of scientific marketing to tame the wildly unpredictable financial behaviour of the Hollywood film business, seemed at first blush like the epitome of management-school hubris.

Nevertheless, when Coca-Cola bought Columbia Pictures in 1982 Wall Street and Hollywood alike were willing to give the merger the benefit of the doubt, once they had recovered from the initial shock of the acquisition's price-tag.

The profits from Columbia's television business were soaring and the value of its movie library was growing at an impressive rate. If Columbia's movie producers were failing to turn out the block-buster successes on which Hollywood's fortunes are built, Coca-Cola's share price was still doing spendidly, in part at least because of the high-growth image which the glamorous entertainments divisions had grafted onto the staidly profitable soft drinks cash machine.

Some analysts even began to speculate that the world's most successful marketing company had really cracked the challenge. Perhaps it had found a way of "selling movies like soda-pop" and thereby turning filmed entertainment into a growing but reliable money earner instead of the financial roller-coaster that Coca-Cola's generally cautious shareholders had initially feared.

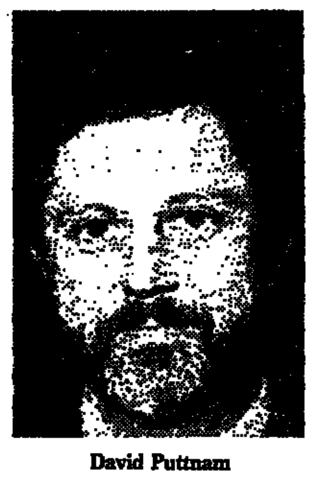
Yesterday the wheel came full circle back to scepticism with the announced departure of Mr David Puttnam, the distinguished British film producer whom Coca-Cola brought in to run Columbia's flagging movie operations just over a year ago.

Even more than the decision announced by Coca-Cola two weeks ago to merge Columbia with Tri-Star Pictures and spin it off as a separate company, the thinly-disquised sacking of Mr Puttnam was an admission that Coke's original strategy had gone badly wrong.

The spin-off of the entertainments business could, on its own, be presented as a lucrative financial manoeuvre which would benefit both the parent company's balance sheet and its shareholders at a time when Wall Street puts a much lower value on conglomerates than on "pure" companies, which devote themselves to one business at a time.

In purely financial terms, analysts have judged Coca-Cola's foray into the entertainments business to have been a perfectly respectable investment, yielding after-tax profits of around $300m over five years on a total cash investment estimated at around $745m.

Mr Puttnam's removal, however, is a reminder that the profits have



David Puttnam

been as much a consequence of Coca-Cola's good luck as its good judgement. In particular, it shows that very little has come of the originally-trumpeted strategy of applying solid conventional business practices to the mercurial and self-indulgent world of Hollywood.

Coke's initial hope was to make its mark on the film business with its consummate skills at marketing. Coke believed that it could use its buying power and tactical experience in the advertising business to cut Columbia's marketing costs and thereby automatically boost the profitability of its films.

It soon found, however, that its experience in selling soft drinks, was little use in attracting audiences. As Mr George Thomson, an analyst at Prudential Bache points out, "soft drinks are all basically the same, so the key to success of a soft drink is the strength of the marketing support behind it."

But movies are all different, as Coke found to its cost. Mr Puttnam's appointment represented the next stage in Coke's attempt to turn Columbia around by conventional business means – in this case by bringing costs under control.

From the beginning Mr Puttnam's main problem in Hollywood has been his insistence that successful films could be made with relatively low budgets and without indulging too many of the whims and monetary ambitions of big name superstars. This was a view that found natural allies at Coca-Cola headquarters in Atlanta, where management was naturally inclined to think that a flagging business should try to improve its performance by cutting costs, rather than boosting them.

With Columbia now under the control of Tri-Star's chairman, Mr Victor Kaufman, the studio will not, of course, be trying to increase spending. But the economies are not likely to be attempted quite so controversially and prominently at the expense of stars like Bill Cosby, Warren Beatty and Sylverster Stallone.

MCA may build Europe theme park

MCA, the Los Angeles-based entertainment group, has examined the possibility of building a theme park in Europe at an estimated cost of more than $500m, Mr Charles Paul, vice president, told Reuter in Los Angeles.

"We have been looking at a lot of opportunities in Europe," he added. MCA, which has recently been attempting to compete with Walt Disney in the theme park business, had narrowed down the sites to either Paris or the Spanish coast.

MCA competes with Disneyland in southern California with its motion picture studio tour in Universal City near Los Angeles.

The company also plans to complete a theme park on a 440 acre site in Orlando, Florida in the autumn of 1989. The park would compete with the Disneyworld and Epcot Centre complex, also in Orlando.

"We do very well in the same places as Disney," Mr Paul said. "We're recognised as the only world class alternative to them."

Earlier this year, Disney signed agreements with the French Government involving a planned Euro-Disneyland theme park at Marne-la-Vallee, about 20 miles east of Paris. The project has an estimated overall cost of about $1.6bn and Disney expects to open the complex in 1992.

Mr Paul said it was not unreasonable to expect that MCA's European park could be opened the same year. The project would be paid for through stand-alone financing arrangements.

Power Corp in joint venture

By Robert Gibbens

in Montreal

POWER CORPORATION of Canada, the financial services and industrial group controlled by Montreal financier Mr Paul Desmarais, is joining Imasco and several other large companies in Sutter Hill Ventures, a venture capital partnership investing in high technology firms mainly in the US and based in California.

Spanish financial group buys bank shares

By Tom Burns in Madrid

Grupp March, the prestigious Spanish Financial group whose banking arm is associated with the National Westminster UK clearing bank, has in recent trading sessions on the Madrid bourse bought up some 2 per cent of Banco Hispano Americano, the fourth largest domestic bank in deposit terms.

The March group thus becomes one of Hispano major shareholders, although it is well short of the 10 per cent held by Commerzbank which entitles the West German bank to a seat on Hispano Americano's board.

The admission came amid reports that a second company, Ren Investment, which is a Spanish subsidiary of the Swiss-based Financier Marc Rich, had also bought 2 per cent of Hispano Americano.

The bank said conversations had recently taken place between Hispano Americano and the Marc Rich group but that the alleged share buying spree by the latter had not been detected by the bank. Ren Investment declined to comment on the reports.

The newly revealed March interest in Hispano Americano was characterised in Madrid banking circles yesterday as being "friendly."

Hispano Americano, having overcome troubles in 1984-85 which forced it to withhold dividends and which brought in a new management team, has advanced steadily this year. It posted first half pre-tax profits of Pta 8.6bn ($70.8m), a 20 per cent increase on 1986,

The flurry created over bulk share buying in Hispano Americano comes on the heels of operations by the Kuwait Investment Office which has acquired a 6.5 per cent share in Banco Central, Spain's largest private bank in deposit terms, and a 4.6 stake in Banco de Vizcaya, the sixth ranking bank.

Campsa in drug store venture with 7-Eleven

By Our Madrid Correspondent

CAMPSA, the Spanish petrol pump company whose monopoly status formally ended with Spain's entry into the EC, has anticipated the impending challenge of European competition by announcing a joint venture with the Southland group, of the US, that will introduce the 7-Eleven petrol station drug store chain to Spanish motorists.

The venture, valued at PTA 5bn ($41m), will give Campsa a 60 per cent stake. It involves the creation of 200 shopping and cafeteria complexes—mostly concentrated on motorways and city bypasses—by 1992, the year when EC companies will be able to operate without restriction in Spain.

Southland has previously entered similar ventures with Mobil and Shell in the US and in Canada. The agreement with Campsa marks its first retailing operation in Europe.

CCF turns in buoyant first-half net earnings

BY GEORGE GRAHAM IN PARIS

THE recently privatised French banking group, Credit Commercial de France (CCF), made a net profit of FFr 214.5m ($35m) in the first half of 1987 and expects a "satisfactory increase" in earnings for the year.

CCF's first-half earnings were 19 per cent more than in the corresponding period last year, but no proper comparison is possible because of the change in the group's structure, which absorbed the former holding company into the main operating arm.

Mr Michael Pebereau, president of CCF, said the group had limited the development of its activities in the debt markets and reduced its intervention in the Euromarkets because of the international outlook for interest rates and exchange rates.

CCF's traditional credit activities, however, grew substantially, with lending to French customers rising more than 10 per cent from the same period of 1986.

Medium and long-term corporate lending, up 19 per cent, picked up again from its trough, while personal loans, up 23 per cent, continued to grow strongly.

Commissions on banking and financial services rose substantially and accounted for more than a third of group net banking income, but margins on lending narrowed.

Group gross operating profits rose by an estimated 15 per cent, to FFr 943.9m, with net banking income up 7.6 per cent and general expenses up 4.9 per cent.

The bank raised its customer and country risk provisions by 9 per cent, to FFr 604m.

AEG expects to hold profits

BY OUR FRANKFURT CORRESPONDENT

PROFITS OF AEG, the West German electrical and electronics company which is controlled by Daimler-Benz, will not show any dramatic improvements over the next few years, Mr Heinz Duerr, the chairman, said.

At the company's plant in Konstanz, south-west Germany, Mr Duerr said AEG expected profits in 1987 to be similar to those of last year. In 1986, the company produced an operating result of DM 130m ($71.8m) on turnover of DM 11.2bn.

This year, turnover would grow to just under DM 12bn, Mr Duerr said. While domestic business had increased, exports were down. The export order inflow in the first eight months was 15 per cent lower and export sales showed an 8 per cent fall.

The total order inflow up to August was 4 per cent lower, at DM 7.75bn, although at DM 7bn turnover was 5 per cent higher. While exports were down, business by AEG operations outside Germany had improved, especially in Austria, Turkey and Argentina.

Mr Duerr said that AEG would continue to use profits to bolster its financial position. Thus there would again be no dividend for this year.

In 1986, AEG, which was nearly bankrupt in the early 1980s, reported no net profit, having made special provisions to strengthen the balance sheet.

Mr Duerr gave no indicaion as to what level of profit he was aiming for and when dividends might again be paid.

Akzo confirms deal with Sara Lee

BY LAURA RAUN IN AMSTERDAM

AKZO, the Dutch chemicals and fibres group, confirmed yesterday that it is selling its consumer products division to Sara Lee Corporation of the US, a leading consumer goods company, for about Fl 1.25bn ($612m).

The consumer products division, which is jointly owned with Royal Dutch/Shell, is to be merged with Sara Lee's Dutch subsidiary, Douwe Egberts, a leading purveyor of coffee, tea and tobacco.

The merged company would have annual turnover of Fl 5.5bn and employ 11,300, although about 4 per cent of the jobs would be trimmed during the next two to three years.

Akzo said the possible sale would be in line with its strategy to concentrate on its mainly technology-oriented core businesses. In recent years the company has focused increasingly on specialty chemicals, advanced fibres, pharmaceuticals and specialty coatings.

The company said the proceeds of the planned sale would be viewed as an extraordinary gain to compensate for the goodwill paid earlier for acquisitions. It would not affect 1987 dividends.

Last month Akzo completed the purchase of the specialty chemicals business of Imperial Chemical Industries' Stauffer Chemical company for $625m, the biggest acquisition in the company's history.

The consumer products division is 51 per cent owned by Akzo, which manages the activities, and 49 per cent by Royal Dutch/Shell, the Anglo-Dutch oil giant.

It sells food, health care items and cleaning agents in western Europe under brand names such as Mayolande, Dayvis Recter, Zwitsal and Biotex.

Finance chief takes top job at Continental

By Andrew Fisher in Frankfurt

CONTINENTAL, the West German tyre and rubber products company which is expanding rapidly overseas, yesterday announced the appointment of a new chairman to replace Mr Helmut Werner, who is joining the Daimler-Benz board.

Mr Horst Urban, 51, currently finance director, will move to the top job on November 1, when Mr Werner joins Daimler. He wil retain the finance portfolio, but shed direct responsibility for purchasing and associate companies.

This appointment of Mr Urban to replace Mr Werner, also 51, was generally expected. He had been a candidate for the chairmanship five years ago, when Mr Werner was appointed. Moving up to become deputy chairman is Mr Wilhelm Borgmann, 58, who is in charge of tyre technology.

Mr Werner will be the board member responsible for Daimler's hard-pressed truck sector. He was appointed to Daimler as part of the management reshuffle which led to the controversial replacement as chairman of Mr Werner Breitschwerdt by Mr Edzard Reuter.

Continental's profits have recovered strongly after its difficult period in the 1970s. It has recently moved deeper into the US with the $650m purchase of General Tire.

Belgian stores group ahead

By Tim Dickson in Brussels

GS-INNO-BM, Belgium's largest retailing group, announced yesterday that sales in the six months to July had inched ahead to BFr 63.8bn ($1.69bn), from BFr 63bn in the corresponding period last year.

The company, which did not reveal any profit figures for the period, commented that the increase was due to a reorganisation. This increase corresponds to the budget and long-term development plan.

A breakdown of sales shows a fairly even performance. Specialty retailing and franchising did slightly better than last year but the traditional department store business was 3 per cent lower.

NTT share sale set for November

BY IAN RODGER

THE NEXT tranche of 1.95m shares of Nippon Telegraph and Telephone (NTT), the Japanese telecommunications utility, will be sold by the Japanese Government between November 10 and November 12.

Japan's finance ministry (MoF) said yesterday that the price of the new shares would be fixed on November 9 at a level 3.5 per cent lower than the NTT closing price on the Tokyo Stock Exchange.

Based on yesterday's share price of Y2.77m ($19,370), the issue would be valued at Y5,212bn ($36.44bn), making it by far the largest public share offering ever, more than double the yield on the first 1.95m shares sold late last year by the Government.

Some analysts have expressed fears in recent days that such a large demand for funds in the market might trigger a rise in interest rates.

Subscriptions for the new shares will be accepted from October 9 from some 250 securities firms. Foreign securities houses were not allowed to participate in the first issue, but this time, 35 foreign houses will be allocated 4.5 per cent of the issue.

Queensland broadcaster buys Brisbane TV station

BY CHRIS SHERWELL IN SYDNEY

A QUEENSLAND regional broadcasting company, which has made its mark in Britain through interests in radio stations, yesterday became the latest purchaser of a major Australian metropolitan television station.

Darlings Downs Television paid A$123m for Brisban's TVQ-O station, acquiring it from Universal Telecasters, part of the business empire controlled by entrepreneur Mr Christopher Skase.

Mr Skase put the station on the market after buying the three Channel Seven stations in Brisbane, Sydney and Melbourse from the Fairfax group for A$780m. Under ownership rules a company cannot own two stations in one centre.

For Darling Downes, which will pay an A$25m deposit now and the balance interest-free by July 1991, the purchase represents a significant expansion.

The group has a television station in Toowomba, near Brisbane, and a stake in Rockhampton Television on the central Queensland coast.

The latest acquisition will results in a strong regional spread based on a foundation provided by the Brisbane station's links with the Channel Ten network.

Darling Downs is a significant investor in British commercial radio, with a large stake in the London-based news station LBC and interests in numerous other regional commercial stations.

In April the group also bought a stake in a British video production company which operates in the corporate video business.

Yesterday's deal nets Universal Telecasters a handsome profit. It bought the Brisbane television station in 1984 for A$34m.

Manufacturing boosts ANI profits to A$67m

AUSTRALIAN NATIONAL Industries (ANI), an engineering and manufacturing company, has revealed an 18 per cent rise in operating profit after tax to A$67.1m (US$49.2m) in the fiscal year ended June 30 from A$56.6m a year earlier, AP-DJ reports from Sydney.

Turnover rose 15 per cent to A$1.46bn from A$1.27bn.

The profit includes ANI's share of results of associated companies, but these were not detailed in the report.

After accounting for extraordinary earnings, overall profit rose 22 per cent to A$69.3m from A$56.6m. ANI earned an extraordinary profit of A$2.2m in the latest fiscal year, from selling some businesses.

Earnings per share rose to 18.6 cents from 16.7 cents

Sony to acquire Fairchild plant

BY STEFAN WAGSTYL

SONY, THE Japanese electronics group, is to buy a microchip manufacturing plant in southern Japan, which was build three years ago by Fairchild, the US semiconductor group, Sony said the purchase was part of its plan to increase production of industrial electronics, thereby cutting its dependence on consumer electronics.

It is buying the plant from Schlumberger, the French oil services company and Fairchild's parent. Schlumberger recently agreed to sel Fairchild which has suffered losses ever since it was acquired in 1979.

The sale to Sony would rid Schlumberger of one of the last Fairchild assets it still owns. It announced an agreement to sell the bulk of the company this month to National Semiconductor, the leading US chip maker. The Nagasaki plant was not included in the planned deal.

Earlier this year, an agreed sale of Fairchild to Fujitsu of Japan was blocked by the US Government on security grounds. Sony said yesterday it was buying the Nagasaki factory, which employs 230 people, in order to expand its output of semi-conductor products.

The company, which expects to produce just Y80bn-worth ($554m) of integrated circuits in the 1987-88 financial year out of Japanese total of nearly Y2,600bn, would have found it difficult to expand output at its existing plants because of pressure from the Ministry of International Trade and Industry. MITI imposed informal controls on semiconductor makers in response to angry complaints from the US, accusing Japanese companies of dumping.

The Nagasaki factory only assembles integrated circuits. Sony intends to start producing semi-conductor components using machinery which is already installed. The factory produces 13m bi-polar integrated circuits each month—chips which are used extensively in controlling consumer and industrial audio-visual equipment. Sony said its own output of such circuits was "over 10m a month," both for use in its own products and for sale to other electronics manufacturers. Total Japanese output of bi-polar circuits is about 600m a month.

Investments lift Kirin result

BY OUR TOKYO STAFF

KIRIN BREWERY, Japan's biggest beer maker, has produced a 7.6 per cent increase in interim pre-tax profits to Y46.86bn ($34.36m), thanks to bigger profits from Zaitech, the controversial investment of surplus funds in financial markets.

The risks involved in Zaitech were highlighted last month when Tateho Chemical Industries, a speciality chemicals maker, was forced to turn to its bankers for a financial rescue after it suffered heavy losses trading stocks and bonds.

Kirin's results emphasise the importance of Zaitech profits to many companes. The brewer's operating profits rose just 0.7 per cent, a fraction of the increase in the pre-tax figure.

Kirin is suffering from fierce competition in the bear market, where its sales rose only 4.2 per cent in the six months to the end of July, compared with an overall increase in the market of 9 per cent.

Kirin's profits are also being held back by increased spending on research and development in pharmaceuticals, into which the company is diversifying.

Anticipating further intense competition in the second half, Kirin forecast modest profit and sales increases for the year.

For the first half, sales were Y686bn, against Y651bn, net profit was Y16.9bn against Y15.8bn and the dividend was unchanged at Y3.75. For the full year, the company forecasts sales of Y1,270bn compared with Y1,222bn, pre-tax profits of Y81bn, up from Y79.3bn and a dividend of Y7.5 against Y9.

Gold Fields to split shares in five offshoots

By Our Financial Staff

GOLD FIELDS of South Africa is proposing to split the shares of five South African subsidiaries later this year to improve marketing prospects, according to a statement issued in New York by Consolidated Gold Fields, which owns a small percentage of the company.

Analysts in New York said the move was probably a part of a continuing restructuring of South African activities.

Cons Gold said shareholders will be asked to vote on the plans at their respective annual meetings.

Under the plan:

- Issued shares of Doornfontein Gold Mining would increase to 40m from 10m while authorised shares would rise to 45m from 10.5m.
- Issued shares of Driefontein Consolidated would rise to 204m from 102m and authorised shares would increase to 220m from 110m.
- Issued shares of Libanon Gold Mining would rise from 8m to 40m and authorised shares to 45m from 8m.
- Issued shares of New Wits would rise to 23.1m from 11.6m and authorised shares to 30m from 12m.
- Issued shares of Venters　post Gold Mining would rise to 20.2m from 5.1m and authorised shares to 25m from 5.1m.

The changes would result in an increase in capital for each subsidiary except Driefontein where there would be no change. Gold Fields listed various dates in November and December for listing shares and annual meetings.

Commodity dealer moves ahead

HIGHLANDS AND Lowlands, a Malaysian commodity and plantations concern, said pre-tax profit for the first six months of the year climbed 61.1 per cent to 13.5m ringgit ($2.52m) from 8.4m ringgit in the same period of 1986, AP-DJ reports from Singapore.

The company said operating profits in the period surged to 8.9m ringgit from 598,000 ringgit in the previous half year, but investment income dipped 42.2 per cent to 4.5m ringgit from 7.8m ringgit. With little change in taxes and no extraordinary items of any significance, attributable profits were 9m ringgit, up 95.6 per cent from 4.6m ringgit in the 1986 period.

The company attributed the improved earnings picture to higher prices obtained for all its commodities with the exception of cocoa.

The company also said increased production in the second half will be counterbalanced by lower investment income, but nevertheless predicted a further improvement in profit during the period.

Brierley Investments in cement deal

BRIERLEY INVESTMENTS (BIL) of New Zealand has bought the Richwhite family interests in cement, transport and concrete for an undisclosed sum, Reuter reports from Wellington.

Mr Paul Collins, BIL chief executive and Mr Ken Bowell, managing director of the Richwhites' David Lloyd Group, said that the Commerce Commission had approved the sale.

The statement said the sale followed the recent disposal to W. Stevenson and Sons of the David Lloyd interest in Auckland concrete operator United Concrete and completes the Richwhites' planned divestment from the concrete sector. The David Lloyd group has retained its coal industry interests.

Brierley's fully-owned subsidiary Winstone recently took full control of former listed company Golden Bay Cement.

Sweden launches $350m issue as market calms

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

SWEDEN LAUNCHED a $350m five-year bond into the Eurodollar bond market yesterday, as the US dollar bond market showed signs of stability after Wednesday's choppy movements.

After deciding not to go ahead with the issue on Wednesday, Credit Suisse First Boston launched it at 59 basis points over the equivalent US Treasury, giving it a coupon of 9¾ per cent and a price of 101½.

The bonds, quoted at a discount less than its 1⅞ fees in the grey market, were said to be fairly priced, although there was some lack of enthusiasm for the issue, much of it born out of the general lacklustre tone of the bond market and the fact that there was no shortage of five-year paper.

Nevertheless, CSFB said the issue, which had been expected for much of the week, had been syndicated in 50 minutes and the placement was going well.

CSFB said that the $1bn three year issue the firm brought for Italy on Monday, priced at 60 basis points over the Treasury, was now out of the primary market and into secondary trading. In the absence of CSFB support, the issue was still trading at 57 basis points over the Treasury, indicating the underlying strength of demand. CSFB said it had placed over three-quarters of the issue and there had been no significant underwriting costs.

The only other issue in dollars was a $75m convertible for Keppel a Singapore-quoted ship repairer in which the Singapore Government has a 60 per cent stake.

Brought through Morgan Grenfell, the issue carried an indicated coupon of 2¾ per cent, a 10-year maturity and an indicated conversion premium of 4 to 6 per cent. A convertible brought earlier in the year for

INTERNATIONAL BONDS

the company is trading at over a 25 per cent premium.

Salomon Brothers brought the latest of its sterling mortgage-backed securities deals, in the name of TMC Mortgage Securities No 3. With a final maturity of 2015 and a nexpected average life of five to seven years, the issue carries an initial spread over the London inter bank offered rate of ⅜ point, rising to ½ point on the 10th anniversary.

A convertible for A. L. Williams of the US was increased to $70m from $60m, the coupon fixed at 4.5 per cent and the conversion premium set at 2 per cent, agent broker Nivison Cantrade said.

Traders said some of Wednesday's issues in New Zealand dollars had fared rather better yesterday, although the general level of demand from retail investors for such currencies had fallen.

Morgan Guaranty launched a C$75m five-year issue for the City of Vienna, carrying a five-year maturity, a coup of 11½ per cent and a price of 101¼. The issue was priced at 50 basis points over the equivalent Canadian Treasury bond and the lead manager's indication meant it was within fees.

In West Germany bond prices firmed about 1¼ point in thin trading. A DM 2bn ten-year bond was announced by the Federal Post Office, priced at 99½ with a 6¾ per cent coupon to yield 6.82 per cent, and was well received as the terms were slightly more generous than expected. It was bid 80 basis points below issue price.

In Switzerland, foreign bond prices were mostly unchanged. Japan Finance Corporation's SFr 100m 14-year 5 per cent issue ended its second day's trading at 97, 2¾ points below issue price — a better performance than some recent issues.

Group Andre Perry, a Canadian audio and visual recording concern, made a convertible issue of up to SFr 25m led by Banque Indosuez. The coupon for the eight-year issue has been set at 5½ per cent and the conversion premium was indicated at 10 per cent. The issue was well received, bid 1½ points above issue price in the grey market.

Chase Manhattan Bank (Suisse) is today expected to disclose details of a SFr 50m five-year issue for Denmark, carrying currency warrants.

Philadelphia opens floor for evening trading

By Deborah Hargreaves in New York

THE PHILADELPHIA Stock Exchange joined the rush among US futures and options exchanges to capture Far Eastern business when it opened its floor for an evening trading session on Wednesday.

The exchange is trading three of its highly successful foreign currency options contracts and accompanying futures in a 7 pm to 11 pm session. Volume on the Australian dollar, yen and D-Mark contracts reached some 2,500 lots in Wednesday's opening session in what Mr Nicholas Giordano, president of the exchange, described as a good start.

"I'm confident that it's the right idea," he said, "though it may be a year or two early."

Mr Giordano looked forward to the day when the floor in Philadelphia would be open round the clock. After trying to forge a link with the London Stock Exchange for over two years, he had all but given up on the idea of using that as a way to extend trading hours.

The exchange says it is now considering specific products suited to night trading, such as a New Zealand dollar options contract.

Next week, the exchange will begin trading options on a new utility stock index comprising 20 blue-chip power company stocks.

So far, the only other US echange to go ahead with a night trading session is the Chicago Board of Trade.

Richard Waters on a world-wide headache for the revenue authorities

A taxing problem for global trading

THE TAXATION of profits on global securities trading is stretching the imaginative resources of a growing number of financial institutions and their advisers. It is also fast becoming one of the biggest problems for revenue authorities in every leading financial centre.

Until now, it has been relatively easy to pin down profits earned by banks in particular jurisdictions—and to identify where they have made tax-allowable losses. The occasional official crackdown—such as that under way in London, where the Inland Revenue is challenging what it believes are foreign banks' attempts to load bad debts onto their British subsidiaries—has done little to upset this calm.

That is likely to change. The problem arises with securities that are bought in one financial centre and sold in another. For instance, a parcel of shares bought in London during the day may be sold in Tokyo the same night. Yet the whole of the profit on the transaction cannot be attributed to either centre.

It is a familiar transfer pricing problem, given a new twist by the global nature of the securities business and the speed with which deals are done. Last year's deregulation in London has hastened the need for a solution, say the experts.

Mr Roger White, a London partner with KMG, the accounting firm, says: "If you're dealing in tangible products, you can normally fix the price when they cross borders.

"Pricing procedures have grown up over the years, and have achieved general acceptance. But financial transactions don't involve tangible products. The attribution of profit becomes much more difficult."

An added difficulty arises because most banks, unlike manufacturing companies, work through branch networks rather than separate national companies. Subsidiaries, which need to draw up separate accounts for their operations, would already have tackled many of the questions when reporting national profit.

> 'What happens if the book arrives with a loss in New York and a gain in Tokyo but no overall gain or loss? The parent would end up with a strange tax charge'

The arrival of true global trading — with a bank's entire portfolio moving from one financial centre to the next in an endless circle — could introduce the greatest complexities.

A tax expert with a UK bank said: "Someone who went the pure global route could conceivably have some real problems. Has the bank purchased the global book at the market value at the time it bought it?

"And what happens if the book arrives with a loss in New York and a gain in Tokyo, but no overall net gain or loss? The UK parent of such a group would end up with a strange tax charge."

Global trading is still more a subject of hype than actual practice. But most banks already have arrangements for dealing around the clock, and so have begun to grapple with the tax issue.

The extent of each dealing room's authority to deal in the portfolio of an overseas associate is a key issue. If the authority is restrictive, it can justifiably claim to be acting as a broker, and take commissions on transactions it carries out. Allowing it a free hand over the portfolio, however, suggests that it should share in the profits — potentially undermining any commission arrangement in the eyes of the tax authorities.

Swaps pose a similar problem. Most swaps are recorded in the books of the parent bank, no matter where the deal was conceived. This is because the parent usually has the greatest capital resources with which to back the deal.

Yet the brain power that has gone into the deal may have arisen anywhere around the world. The "added value" that has given rise to the profit may have been produced far from where the deal was officially done.

In these circumstances, the profits arising on a deal need to be attributed to the various regions that contributed to it. But a bank's assessment on the value of brain power exerted in, say, New York on a deal recorded in Tokyo may not be the same as that of the US Internal Revenue Service or the Japanese Ministry of Finance.

Internal methods of assessing the profits of each unit go some way to solving these problems. Dealers and others want their efforts to be recognised. Their bonuses may provide one pointer to the profits of each national unit.

Unfortunately it is not so simple. A dealer in one country who raises the finance to meet a loan made in another may make a profit on his part of the operation. Yet this is not directly related to the final overall profit to the bank of the series of transactions.

It has all the ingredients of a classic tax confrontation—financial institutions, claiming their accounting systems reflect commercial reality, while having more than a little interest in incurring profits where it hurts least, versus local revenue authorities, anxious to maximise their own tax take; and overseas tax authorities, equally anxious to make sure they are not losing out.

The tax authorities of the largest financial centres have yet to get together to discuss the problems. When they do, the political machinations could be intense: after all, the authorities are in competition with each other to tax the same items.

Japan to ease issuing rules

BY OUR FINANCIAL STAFF

THE JAPANESE Ministry of Finance has decided to allow more companies to issue bonds using a "proposal system" to choose among underwriting companies that submit competitive bids, our Financial Staff writes.

The new system is intended to allow borrowers to time bond issues to take advantage of market conditions and to remove some the rigidities which have stunted the domestic bond market in recent years, driving Japanese corporate borrowers to the Euromarkets.

Such permission will be extended to Japan's nine electric power companies next month, an MoF official said. The power companies were chosen because they are large and creditworthy borrowers.

Tokyo Electric Power said yesterday that it hopes to issue bonds under the new system in the near future, though the size and timing of the issues will depend on market conditions.

Under the new system, borrowers will ask securities underwriters to submit detailed bids outlining the coupon level and selling price for a corporate bond issue, and will then select the most favourable proposal.

In the past, the "big four" Japanese securities companies—Nomura, Daiwa, Nikko and Yamaichi—have taken turns as underwriters of corporate bond issues, while the issuing conditions have been decided in negotiations between the lead underwriter and the commission bank. Moreover, corporate bonds could only be issued on two days a month, usually around the 15th and 30th.

In 1986, Japanese industrial companies raised only Y495bn in the domestic bond market, compared with Y1,395bn abroad, according to the Bond Underwriters' Association of Japan.

Simex considers options for yen and D-Mark

SINGAPORE INTERNATIONAL Monetary Exchange (Simex) is likely to introduce D-Mark and yen currency options next month, while Nikkei stock index average options may be introduced in November, Reuter reports from Singapore.

Simex will introduce its first options contract, for Eurodollars, on September 25. The contracts will be traded initially without a mutual offset system, though Simex is discussing ways of installing one with the Chicago Mercantile Exchange.

Ecu 'should become world's third currency'

By Quentin Peel in Brussels

THE EUROPEAN currency unit (Ecu) should become the third currency in the international monetary system, alongside the dollar and the yen, according to a leading Japanese banker.

To that end it must be developed and strengthened by the member states of the European Community, Mr Yusuke Kashiwagi, chairman of the Bank of Tokyo, told members of the European Parliament yesterday.

He called for action by EC member states, including recognising the Ecu as an officially-accepted foreign currency, completely deregulating its use by Community residents, and turning the European Monetary Co-operation Fund (EMCF) into a lender of last resort to issue Ecu-denominated loans.

Mr Kashiwagi's proposals go well beyond the current state of thinking of EC central banks. The Ecu is based on a basket of EC currencies, and is already widely used to denominate Eurobonds and international credits, as well as in central bank reserves.

His argument is based on the premise of an international loss of confidence in the dollar because of the deterioration of the US economy, the net external liabilities which he said would pass the $1,000bn mark some time between 1990 and 1992.

He called for a change from the present dollar standard for the international monetary system to a system of multiple key currencies, which would consist 50 per cent of dollars, and the rest based on the yen and the Ecu.

Mr Kashiwagi said the Ecu was preferable to the D-Mark as the third element in this system because, as a basket of currencies, it offered greater stability and because West Germany did not seem eager to see the D-Mark develop into a global key currency.

He said there should be no problem for EC member states in recognising the Ecu as an officially accepted foreign currency, because it is already in effect a Eurocurrency in its own right.

Complete deregulation of its use by EC residents would promote its use in advance of the eventual day, somewhere in the future, when the EC realises its goal of unifying all its currencies.

Turning the EMCF into a lender of last resort, which would advance Ecu-denominated loans to all the participating countries, is considerably more daring than anything the EC bank governors are currently considering, although Mr Jacques Delors, the president of the European Commission, is convinced the move must eventually be made.

Finally, Mr Kashiwagi called for sterling to be brought into the exchange rate mechanism of the European Monetary System.

"As long as the pound remains outside the exchange rate mechanism and is allowed to float against the Ecu, the greatest merit of the currency—that is, stability—cannot be fully realised."

Montedison to raise $800m

BY OUR EUROMARKETS CORRESPONDENT

MONTEDISON, the Italian chemicals concern, is raising $800m in short-term finance to help fund the $1.6bn share purchase which will give it control of Himont, the US polypropylene manufacture.

The revolving credit, being arranged by Citicorp Investment Bank, carries a margin of ⅛ point over London interbank offered rates, and a commitment fee of ⅛ per cent. Its initial maturity is 12 months, but it is extendible to 18 months.

It is expected that about half of the loan will be drawn, while the rest of the funds will initially be raised through existing bank lines and cash.

Swiss Bank Corporation International is also arranging a $400m revolving credit over three years for Primerica, US financial services group.

The facility includes an option for uncommitted short-term advances but the committed portion of the credit carries a margin over Libor of 25 basis points and a utilisation fee of five basis points if more than half drawn.

There is a commitment fee of 10 basis points on undrawn amounts.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 17

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	90⅝	91⅛	+0⅛	−0¼	10.06
All Nippon Air 9⅞ 97	100	97¼	98¼	−0⅛	−1⅞	10.32
American Brands 8⅞ 92	150	95⅝	95⅞	−0⅛	−0¼	10.04
A/S Eksportfinans 7⅞ 93	100	88⅝	89	−0⅛	−0⅛	10.16
A/S Eksportfinans 7¼ 92	150	91	91½	0	+0⅛	9.79
BP Capital 9⅛ 94	100	†96	96½	0	−2⅞	9.91
British Telecom 7⅞ 96	250	83½	84	−0⅛	−0¼	10.49
British Telecom 8⅞ 94	150	93½	94⅛	−0⅛	−0½	10.17
Campbell Soup 10½ 95	100	101⅝	101⅞	0	−0¼	10.19
Canada 9 96	1000	93¼	94¼	−0⅛	−0¼	10.07
Canadian Pac. 10¼ 93	100	102½	102⅞	+0⅛	+0⅛	10.16
C.C.C.E. 7⅞ 91	113	92⅞	93	−0⅛	−0⅛	9.68

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅝ 94	45	92⅞	92⅞	0	0	6.01
EIB 4⅝ 94	40	92½	93	+0⅛	0	5.97
Elec. de France 5⅛ 94	20	95¼	95⅝	0	−0¼	5.97
Kansai Electric 4⅞ 94	60	92⅝	93	−0⅛	+0⅛	5.98
Norway 4⅝ 92	60	93⅞	94⅛	+0⅛	−0½	5.77
SNCF 4⅞ 93	20	95	95½	−0⅛	−0⅛	5.88
Sweden, Kingdom 5⅞ 95	20	97	97⅞	0	−0½	6.07

Average price change on day 0 on week −0⅛

هكذا عن الأصل

Poor showing in US hits Reckitt & Colman profit

BY DAVID WALLER

A flat performance from the US held back the advance in first half profits at Reckitt & Colman, the international food, drugs and toiletries group. At £74.55m, pre-tax profits fell short of brokers' expectations, and the shares slopped 27p to close at 1085p.

Matters were complicated by the company's acquisition of its minority interest in Reckitt & Colman Australia. This had the effect of depressing profits at the pre-tax level, which took some analysts by surprise.

However, after restating the results for the comparable period last year to take account of this change, growth in pre-tax profits worked out at 20.1 per cent. The 40.5 per cent tax charge was higher than expected, and as a result earnings per share grew by only 12.8 per cent to 29.17p.

In addition, the company acted to dampen speculation about the likely profitability of its anti-ulcer drug. It said that the first phase of trials into the polyacrelate polymer with H2 antagonists would be completed before the end of the year—but that it was too early to judge the commercial significance of the product.

In North America, profits declined from £9.3m to £8.8m, on turnover ahead by £70m to £205.9m. Profits would have been £3-£3m higher but for adverse currency movements.

Sir Michael Colman, the chairman of the company, said that performance in the US was depressed by the cost of integrating Durkee Famous Foods into its existing businesses. Reckitt bought Durkee last year from Hanson Trust for $120m (£73m).

Sir Michael explained that the process of integration was proceeding faster than he had originally expected. "The benefits of the merger are being increasingly confirmed," he said. "They will feed through to the bottom line in the second half."

Profits from Europe, excluding the UK, increased by 30.5 per cent to £12.2m, on turnover up £19.8m to £172.9m, reflecting what Sir Michael said was the continued benefit of the acquisition of the Airwick Group in 1984.

In the UK, sales totalled £182m (£176m) and profits were up by £3.33m to £25.93m. The rate of growth here was dampened by the inclusion in last year's turnover of what Sir Michael estimated to be £10m from Gale's preserves, subsequently sold.

Melton cuts stake in Olives Paper Mill

By Steven Butler

Melton Medes yesterday reduced its stake in Olives Paper Mill below the 5 per cent level with the disposal of a 6.6 per cent 500,000-share stake in the company at a price close to £2 per share.

Melton Medes, a private company headed by Mr Nathu Puri, last week failed in efforts to defeat a capital injection proposal for Olives by Mr Michael Kent, who now owns a majority stake in Olives and has become its chairman.

Mr Puri said it was not in the interests of Olives to have a large block of shares overhanging the market.

Quarto purchases

Quarto, the USM quoted book packager, is to spend £1.5m on two specialist magazines. These are "Construction Industry International" and "International Mining," which made pre-tax profits of £305,000 on turnover of £1.4m in the year to the end of July.

Buckley's accepts duo's new erms

BY NIKKI TAIT

Buckley's Brewery, the small Welsh brewer, has finally given up its fight for independence and is recommending an increased £29.2m bid from the two James Ferguson directors, Mr Peter Clowes and Mr Guy Cramer.

The duo have agreed to raise their terms from 185p to 192p—their second increase—and yesterday Mr Cramer said that they hoped the offer could go unconditional next week. At present, they own 31.5 per cent of Buckley's shares; no figure has been disclosed for recent acceptances, but Mr Cramer suggested that their total control was "fairly close" to the 50 per cent mark.

Buckley's has been the subject of predatory attention ever since entrepreneur, Mr Nazmu Virani, picked up an 8.6 per cent two years ago. That was then purchased and added to by former stockbroker, Mr Tony Cole. Having failed to win a board seat, he sold his 27.6 per cent stake to the Cramer/Clowes team in June.

Mr Cramer confirmed yesterday that the duo intend to maintain production facilities in Llanelli, and that the brewery will "remain open in the foreseeable future and, in any event, for at least three years." No redundancies are foreseen.

After assessing Buckley's systems, the new team expects to hit the acquisition trail and is also anxious to introduce a lager line. Earlier Mr Cramer had suggested a £10m programme of acquisitions and investment over two years; yesterday, he indicated that the sums could be considerably larger.

Mr Cramer will join the board as an executive director, and Mr Clowes—currently runnning James Ferguson—as a non-executive. Sir Alun Talfun Davies, a barrister and former vice-chairman of HTV, will become non-executive chairman, and Mr Colin Thomas remains managing director. Three other board directors will step down—including Mr Jasper Clutterbuck, a non-executive Whitbread director.

Mr Griffith Philipps, the outgoing chairman denied yesterday that there had been pressure fro nstitutional shareholders recommend. The change heart, he said, was due to duo's assurances on the bre y's future and on the amoun ey were offering. It puts B ley's—which has seen profits ow from £768,000 five years o to just £1.16m in 1986 —on to a historic exit PE o.

T increase in the offer is bei nanced by a larger loan fro Singer and Friedlander, th o's advisers. About £7m is being borrowed, but they i d to place back acceptances o 75 per cent in order to n the listing, enabling this e repaid.

esterday, shares in Buckley's red beyond the offer price to 3p, with almost 1m traded.

Redland joint venture in plasteoard deal

BY ANDREW TAYLOR

Redland, the British building materials group, and CSR, the Australian building materials, sugar and resources group, have wasted no time in making their first foray into the growing European plasterboard market.

The British and Australian group are poised to acquire a 44.9 per cent stake in Norgips a privately-owned Norwegian plasterboard manufacteurer.

Redland and CSR, which only last week announced they had formed a joint venture to attack theEuropean plasterboard market, will use Norgrips initially to import plasterboard into Britain.

Norgips will shortly have the capacity to manufacture up to 50m square metres of plasterboard a year in Norway and northern Holland, says the joint venture.

Sales of plasterboard in Britain have risen by more than a fifth to 136m square metres since 1975. Plasterboard s of 450m square metres in tern Europe are forecast to to 600m square metres by

It is a light, durable ma easy to work, with good and heat insulation pro and is widely used for internal walls of homes in It is increasingly found mercial developments acoustic and fire resis perties make it internal walls anc also for shaft walls and lift voids.

BPB Industres, a British company, is the largest manufacturer of pasterboard in Europe holdinga virtual monopoly over the Fitish market.

Redland and CSR plans to open the first of two British plasterboard plats by 1990. The plants wil cost combined £50m to £60m. The jint venture says it wants to cpture about 30 per cent of theBritish market.

Compagnie du Midi's offer for Equity

By Nick Bunker

Compagnie du Midi, the French insurance and industrial holding company, published yesterday the 24-page formal offer document for its 400p per share cash bid for Equity and Law, of the British life assurance group.

Mr Bernard Pagezy, Compagnie du Midi's president, said the offer was "generous" and he found it "difficult to accept that a price of 400p does not fully value "Equity and Law."

The offer, which has a first closing date of October 8, values the British company at £403m. Equity and Law rejected the bid last Friday. There is also a rival 365p per share cash offer for Equity and Law from Mr Ron Brierley, the New Zealand financier.

Compagnie du Midi's bid includes an offer of 8.5 per cent loan notes as an alternative to cash. Equity and Law's share price closed unchanged last night at 419p.

Mr Pagezy said that if the takeover was successful the combined group "would have the financial strength and management skills to become a formidable competitor in the insurance markets of the European Community."

AIC makes 190p per share offer for Wills Group

BY STEVEN BUTLER

Australian Investors Corporation (AIC) yesterday issued a 190p-per-share general offer for the Wills Group, the financial services and import company, after raising its stake in the company to 21.8 per cent with a purchase of 1.1m shares from Mr R. L. Marsh, the Wills chairman. AIC previously held a 9.6 per cent stake.

Mr John Huckle, Wills finance director, said the share deal would allow for a closer co-operation between Wills' Australian financial services operation and Clayton Robard, the Australian financial services group which owns 31.6 per cent of AIC. AIC is a listed Australian investment company.

Clayton Robard is a subsidiary of Tyndall Holdings, the UK financial services group.

"The potential for the development of our Australian business is fantastic," said Mr Huckle.

Mr Huckle said that growth of thet Australian financial services operation had been limited because of Wills' small size and that new opportunities for diversification would now be available.

Wills shares shot up from 186p to 213p yesterday following the announcement, and Mr Huckle was uncertain about the response to the offer. Mr Christopher Spence, chairman of Tyndall Holdings, indicated the offer was in part a formality, although AIC was happy to acquire more shares.

The general offer was requested by the Wills board, after consultation with the Takeover Panel, and directors holding 2.7 per cent of the shares do not intend to take up the offer. Mr Huckle said, however, that the market for the shares has tended to be thin and that some shareholders may wish to realise their investment.

Due to health reasons, Mr Marsh will yield his position as chairman of the group to Mr Spence, and become non-executive deputy chairman. Mr Garnett Harrison, Tyndall's managing director, will become non-executive director of Wills.

DIVIDENDS ANNOUNCED

Abaco Invests	0.4	Nov 9	0.15	0.4	0.2
APV Baker ....int	8	—	7	—	19
William Baird ....int	4.95	Jan 6	4.26	—	11.1
Brown Boveri Kent int	1.5	Jan 4	1.25	—	3.5
Clarke Nickolls ...int	1.1	Nov 16	1.05*	—	3.15*
Corah ....int	1.6	Nov 16	1.6	—	4
Computer People ...int	1.2	Oct 30	—	—	—
Desoutter Bros ...int	2.7	Oct 28	2.5	—	7.7
Garton Engineering int	1.25	Dec 1	1	—	4
Guinness ....int	3	Nov 2	2.24	—	‖8.16
Laporte ....int	4.4	—	3.8	—	10.25
Manders (Hldgs) ...int	3.2	Nov 10	2.8	—	10
Molins ....int	2.5	Nov 26	2.2	—	8.7
Perry Group ....int	2	—	1.65	—	6
Reckitt & Colman int	7.8	Jan 7	6.75	—	18.5
RTZ ....int	8	Nov 9	7	—	23.5
Sutherland ....int	‡0.33	—	1.46	—	3.33
Tor Invest	11.88	Nov 5	10.3	17.48	15.2
Wolstenholme Rink int	4	Nov 12	2.75	—	9
Westpool	1.35	Nov 13	1.26	1.7	1.6
W Yorks Hospital	‡3	—	2.5	4.5	4

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § *Unquoted stock.* ¶ *Third market.* ‖ Apportioned to 12 months (from 15-month period).

UK COMPANY NEWS

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nged from £150m to £180m. Howe some City analysts said tha e forecasts had been over-he and forecasts for the fu year were marked down acco gly.

A net interim di nd of 3p will be paid, with a recast by Guinness board of .2p final

Earnings per sha creased by 13 per cent fro 9p for the first half of 198 11.2p. Net debt as a perc ge of total equity fell fro per cent at December 31 1 to 64 per cent at June 30.

Mr Anthony Tennant, Guinness' chief executive, said that he would have liked to have seen greater progress in profit performance but the group had yet to realise its full potential.

Turnover for the half year was £1.3bn (£1bn). If the Distillers company were included for the whole period, the spirits profit at £145m (£132m) showed an increase of 10 per cent over the comparable period in 1986. Margins were beginning to improve, said Guinness, largely through production-cost rationalisation.

Brewing profit fell from £36m to £29m, benefiting from low product advertising in a period of high corporate spend. This year has also seen increased worldwide spend on brand marketing. Total global volumes were largely unchanged.

Guinness' share price closed at 367p down 8p on the day.

See Lex

ood on the motives behi Guinness' £293m deal with Schenley

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ain more control over distributors, so ha more influen e over the mar ing of brand and taking in distributors' rofit margins. T acquisition f Schenley, t sixth largest rinks company the US, which distributes Gui ness brands i cluding Gordon' Gin and Dew r's White Labe whisky, gives Guinnes a more direct interest in the distribution and m rketing of its brands in a ke market.

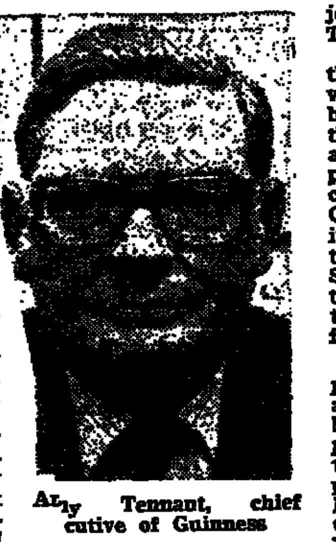
Schenley, wned by Mr Meshulam Ri lis, the flamboyant US bu nessman, is expected to repo sales in excess of $500m and rofits before interest and tax of about $65m in the year en ing January 31 1988.

In the US G inness already owns Somerset another sizeable distribu on company which in June ormed a joint venture with S ieffiin, a subsidiary of Fre h cognac and champagne di ributor Moet-Hennessy. Gui ess brands distributed by th new venture include Johnni Walker Red and Black Labe whiskies.

Schenley a Schieffin-Somerset will e run separately. Mr Tenn t said: "It is sensible to hav two separate selling operati s because of the number of ands involved. The structure w enable salesmen to focus n a logically assembled port lio."

As to whethe Schenley itself could become i volved in a joint enterprise ith another drinks compan so further rationalising cos Mr Tennant said: "This wil ot mark the end of the ratio lisation of the business in the S. There is still a coming ether of units in the drinks dustry."

Guinness p lucts account for about 50 cent of Schenley's sales ume and the acquisition w bring several new brands including Old Charter urbon and



An y Tennant, chief cutive of Guinness

McN ton Canadian whisky. Mr T ant said a number of optio were being examined and id not rule out possible of brands.

It c be argued by critics that ness has bought its own b back. For the deal ends a al wrangle between Guinne nd Mr Riklis over the ow hip of the Dewar's tradema n the US. Dewar's, formerly ned by Distillers, is the le g Scotch brand in the US.

Mr Rik ought more than five per c f Guinness shares before its over of Distillers, without d ring his stake. The full le itle to Distillers' Dewar's W Label whisky were subse ntly transferred to him.

The dispo of such a large Distillers' a provoked considerable dis t in the City and formed of the damaging disclosur ver Guinness' handling of he Distillers acquisition w are the subject of the Department of Trade inquiry.

The acquisition of Schenley thus achieves a dual purpose without an apparent payment by Guinness of a premium for the Dewar's trademark. City analysts had forecast that a purchase of Schenley could cost Guinness up to £500m. Guinness said very carefully in its statement on the acquisition that it was advised by Morgan Stanley "who have confirmed that the transaction is fair to the stockholders of Guinness from a financial point of view."

Mr Tennant said: "Other parties were interested in acquiring Schenley at prices beyond what we would have paid but the dispute was a bar to them." Any sale to a competitor of Guinness could have had very adverse effects on Guinness's distribution in the US.

Mr Riklis still owns some 30m shares, a fact that has not assisted the recovery of Guinness's share price.

The Schenley acquisition will not cause any dilution in Guinness earnings and will enhance profits from the first full year.

Nevertheless there are still several obstacles to be overcome

Although the Schenley acquisition was well received in the City there still remains a deep scepticism over Guinness

Analysts are also wary of putting the stock back on a premium rating. One said: "Some investors do not wish to get involved until Mr Tennant has delivered the goods." Nevertheless, there is some feeling that Mr Tennant, who has a less glossy way of approaching the City than his predecessor, is fulfilling his strategic aims.

Mr Tennant enjoys no illusions: "The strategy we have embarked upon has been well received. But it is early days yet. We have still to perform."

Sotheby's flotation likely this autumn

By Clay Harris

Sotheby's Holdings, privately-owned parent of the London-based auction house, may make a public share offering this autumn. The US company disclosed the possibility in a filing with the Securities and Exchange Commission in connection with a planned share option scheme for employees.

Sotheby's said yesterday that under any flotation, Mr Alfred Taubman—who led the takeover of Sotheby's in 1983 and owns 60 per cent of the company—would retain voting control.

The share option scheme would apply to more than 300 staff members worldwide. Mr Michael Ainslie, president, said it was intended to reward employees for their performance and encourage them to remain at Sotheby's over the long-term.

A public offer could also relieve pressure from some of Mr Taubman's minority partners who have yet to realise any return on their investment.

Share sales in Storehouse

By Nikki Tait

Despite the silence from Mountleigh, the aggressive property company headed by Mr Tony Clegg, over the Storehouse situation, a number of institutional investors are cutting their stakes in the retail group.

Yesterday, Baring Investment Management, Schroders Investment Management and Scottish Widows, all disclosed small share sales—reducing their holdings to 0.95 per cent, 3 per cent and 1.76 per cent respectively.

Mountleigh announced that it was considering a bid for Storehouse, the large retailing chain headed by Sir Terence Conran, in August. Since then, there have been no further developments and Storehouse shares dropped sharply on Tuesday. Mr Clegg, however, indicated earlier this week that nothing was yet decided and he expected an announcement in the next week to 10 days.

B&C own share buy

The purchase by British & Commonwealth Holdings of 90m of its shares from Caledonia Investments was approved by ordinary shareholders of both companies yesterday.

The separate meeting of B&C convertible loan stock holders was adjourned until October 2 because of the lack of a quorum. B&C said the expected effective date of October 15 was not affected by the delay.

Pergamon

Pergamon Holdings, Mr Robert Maxwell's master company, has increased its stake in Henry Ansbacher, the merchant bank, from just under 5 per cent to 9.17 per cent.

Mr Maxwell is a major client of Ansbacher which said it welcomed his increased holding.

B. Matthews

On Tuesday, shares in Bernard Matthews fell 18p to 132p, not to 155p as reported in the comment in Wednesday's FT. At 132p, the shares were on a prospective p/e of approximately 17½, assuming the company duplicates its 1986 profits in the current year.

RTZ beats expectations as earnings rise 21%

BY MIKE SMITH

Rio Tinto-Zinc, mining, energy and industrial group, yesterday exceeded market expectations when it reported first half attributable profits of £112.5m, a 21 per cent advance on the £93.3m of 1986.

The industrial sector, helped in particular by speciality minerals in the US, increased earnings by 30 per cent to £101m but energy was static at £19m and metals earnings declined £2m to £37m.

Sir Alistair Frame, chairman, said that the full effect of recent metal price rises still had to be felt.

In addition the second half would benefit from increased iron ore shipments by Hamersley, a subsidiary of RTZ's associate company CRA. Hamersley had lost market share in the first half and this was the main reason for the decline in metal profits.

A programme of 1,000 redundancies had been put in train at Hamersley. Market share, which had been lost to South Africans, was being regained.

Sir Alistair said the Chemicals and Pillar companies were continuing to acquire attractive businesses. Substantial investment was being made in North America in low-emissivity coated glass.

The industrial sector's advance means that it contributed 65 per cent of the group's attributable profits, up from 57 per cent last year. Metals provided 24 per cent, a five percentage point decline, and energy 11 per cent (14 per cent).

RTZ's industrial interests progressed in all major activities. Among the highlights was RTZ Borax, which substantially increased exports and showed earnings growth of 30 per cent. RTZ Cement performed "satisfactorily" in the UK with increased volumes and cost reductions compensating for discounting following the abandonment of the prices cartel.

In metals, aluminium earnings grew on the strength of higher prices but Palabora copper revenue was reduced by the rand and Hamersley's earnings were halved.

In energy, RTZ Oil and Gas production declined as did that of LASMO. Profits from Australian coal exports fell.

For the six months to June 30 RTZ Group earnings per share were 36.23p (30.07p). The interim dividend was lifted from 7p to 8p.

Group pre-tax profits of £254.5m (£229.9m) were achieved on turnover of £2.17bn (£2.03bn) of which the related companies' share was £422.4m (£513.9m).

The net attributable profit was reached after tax of £112.1m (£110.5m) and profits attributable to outside shareholders of £29.9m (£26.1m).

RTZ is planning a share split and consolidation resulting in the issue of five ordinary or accumulating ordinary shares of 10p in place of every two shares of 25p each.

Currencies during the period had a broadly neutral affect. The debt equity ratio improved from 36 per cent to 33 per cent.

See Lex

Perry 42% ahead to £2.6m

Perry Group, Ford main dealer, lifted pre-tax profits 42 per cent from £1.79m to £2.55m in the first half of 1987, on turnover 23 per cent ahead at £98.89m, against £80.09m.

The company said that since then, July had shown an improvement on 1986 and August had been a record month. While it should not be assumed the interim percentage increase would be reflected in the full year's results, an acceptable outturn was confidently predicted.

Negotiations were well in hand in respect of further acquisitions to enable the company to achieve its longer term growth objectives.

After tax of £960,000 (£703,000) earnings per 5p share grew from 5.9p to 8.7p. The interim dividend has been stepped up from 1.65p to 2p—last year's total payment was 5p on £4.7m pre-tax profits.

At the operating level, profits rose £470,000 to £2.81m, before interest payments of £265,000 (£549,000).

The figures included finance charges of £237,000 (£241,000) under leases, in compliance with SSAP 21.

● comment

Perry's Ford dealerships, according to chairman Richard Allan, are now mature. In other words, they've peaked. To keep the growth snowball going, Perry has got to go for acquisitions, and a deal which would add four Austin Rover dealerships, one Jaguar and one Land Rover to the group is close to completion. Peugeot and Mercedes dealerships are also targetted, as well as more Volvo outlets. On the used motors side, profits are up 64 per cent. Estate agents, however, have disappointed. New management has been appointed and a decision on whether to expand or sell will probably be taken by year end. With a caution from Richard Allan that yesterday's 42 per cent pre-tax profits increase should not be assumed for the full year, shares closed 5p up at 313p. Assuming pre-tax profits for the year of £6m, that puts them on a reasonably valued prospective p/e of just under 15.

Independent

Independent, the Ivory and Sime managed investment trust, is to change its investment policy from that of a technology specialist to a more flexible policy of venture capital and suitable listed investments, without restriction as to industrial sector of geographical area.

Atlantic Assets, in which Independent owns 60 per cent of the equity shares, stated yesterday that it would not be liable for tax on the gain of £18.4m which arose when it made a forward sale in 1985.

STODDARD (HOLDINGS): Shareholders told at the annual general meeting that first-quarter results were on plan and well ahead of last year. This encouraging trend had continued. Margins have continued to improve and results were still substantially ahead of last year.

Balanced portfolio helps Wm Baird to £8m midterm

A 28 per cent increase in profit was achieved by William Baird, the textile and engineering group, in the first half of 1987.

Turnover and operating profit expanded. An added boost came from a substantial reduction in interest charges, so giving a pre-tax profit of £7.97m (£6.2m).

Group sales totalled £121,47m (£111.18m); on the profit side Baird Textiles improved from £5.4m to £5.87m and Darchem from £2.03m to £2.95m Investment income fell to £213,000 (£494,000)

Central administration costs absorbed £276,000 (£205,000) and interest charges were £786,000 (£1.24m).

Earnings per £1 share worked through at 13.7p (10.7p) and the *interim dividend is raised* to 4.95p (4.26p) after adjusting for a scrip issue. For the year 1986 the group made a profit of £18.65m and paid a dividend of 11.1p.

The directors stated that the group was continuing to benefit from its balanced portfolio of interests in textiles and engineering.

Additional capital investment was generating further improvements in efficiency and resources were available to continue the organic growth of the core activities and to expand by appropriate acquisitions.

● comment

William Baird yesterday laid to rest any lingering doubts the City may have had about the company's ability to withstand the winding down of its lucrative nuclear business. The *45 per cent rise in operating* profits contributed by its engineering arm Darchem was better than most expected and a clear *sign* that diversi"cation—into auto tooling equipment and the aero engine industry—is working. Just two years ago nuclear business represented 43 per cent of Darchem's sales, it's now down to 22 per cent and predicted to fall to 12 per cent by 1989. Baird Textiles produced the good, solid performance that has come to be expected of it, with Dannimac doing particularly well. The company is keen fo rmore acquisitions on both sides, but, eschewing contested bids, will continue looking for not-that-expensive companies that fit in with its existing businesses and have good earnings. Shares closed 15p up yesterday at 528p. Assuming pre-tax profits for the year of £23m, that puts them on *a prospective p/e of about 13,* not expensive for a company with this performance.

BBK advances past £5m

ACTIONS TAKEN in the latter part of 1986 to ensure profitability in the sector of systems and site services businesses, enabled Brown Boveri Kent (Holdings) to pre-tax profits by 19 per cent to /5.12m for the half year to June 28, 1987. Turnover rose by only 2 per cent to £64.15m.

Mr Erwin Bielinski, the chairman, said that competition in the company's markets had remained intense, particularly from US based companies benefiting from the weaker dollar.

The company's interests are in the development, manufacture and marketing of high-technology equipment and systems for industrial process control, measurement and liquid metering.

The chairman said that manning levels had fallen in a number of areas, and overheads had remained under very tight control. New products introduced earlier in the year, notably in the area of flow metering and control systems, were well received. Overall, the board was confident of an improved financial performance for the full year.

In these circumstances, the interim dividend has been lifted from 1.25p to 1.5p. Last year's total was 3.5p on £9.64m profits.

Net interest charges for the half year were lower at £744,000 (£1.33m). After tax of £1.66m (£1.32m) and minorities, net profits were up from £2.92m to £3.39m. Stated earnings per 25p share were 4.5p (4.4p).

The chairman reported yesterday that BBK was in negotiation with Bopp and Reuther of Mannheim, Germany, which if successful, would result in co-operation in the area of water metering.

Last month, BBK's ultimate holding company, BBC Brown Boveri of Switzerland and ASEA AB of Sweden announced an agreement to merge their operations. Subject to the merger being approved a new operating company named ASEA Brown Boveri will be formed by January 1, 1988 and will take over as the major shareholder of Brown Boveri Kent, holding 54.5 per cent of the equity.

This development is seen as an important step in strengthening the group by way of access to new markets and increased business.

Wolstenholme profits up despite reduced margins

Wolstenholme Rink, the Lancashire-based manufacturer of printing materials, increased pre-tax profits by 16 per cent from £1.16m to £1.34m on turnover up from £14.02m to £15.54m in the first half of 1987.

The directors said yesterday that trading across the group had been up to expected levels although two factors had limited growth in profitability.

First, the strength of the pound had reduced profit margins in export markets. Second, Wolstenholme Bronze Powders made the decision to manufacture its own offset gold inks. This had meant the loss of a major UK customer for bronze powders.

While profits would be affected in the short term, in the medium term the sales of the company's own offset gold inks would prove profitable.

W. Yorks Hospital

Further growth was achieved by West Yorkshire Independent Hospital in the year ended June 30 1987.

The USM quoted operator of a 49 bed hospital lifted its turnover 17 per cent to £3.2m (£2.75m) and its pre-tax profit by 16 per cent to £709,000 (£612,000).

Earnings moved up to 10.58p (9.42p) and the final dividend is 3p for a total of 4.5p (4p). There was an extraordinary charge of £10,000 (£137,000).

Tax came to £409,000 (£384,000), and minorities £32,000 (£35,000). There was an extraordinary profit (less tax) of £50,000 from the sale of a subsidiary business, compared with £913,000 in 1986 from the sale of land at Bolton. This left attributable profit at £947,000 (£1.6m).

Earnings per 25p share rose to 14.3p (12p).

The interim dividend was increased to 4p (2.75p) to correct the imbalance between the interim and final dividends (last year's total was 9p).

John Carr joins board of Cowan

By Philip Coggan

Mr John Carr, the man who built Windsor Securities into a major insurance broking group, is joining Cowan de Groot as chief executive. A consortium of investors led by Mr Carr and the Water Authorities Superannuation Fund is buying a 6 per cent stake.

Mr Carr was brought into the group by Mr. Philip Birch, the chairman and chief executive of Ward White, who bought into the toy importer early last year. Since then, the group has diversified rapidly by buying an accountancy tuition company, a computer training company and a DIY wholesaler.

Mr Derrick Cowan, chairman, said that the appointment of Mr Carr meant that the group would continue its acquisition programme. "We believe in diversification," he said, "we're a zoo, not a farm."

The shares climbed 15p to 98p yesterday.

Corah loss of £1.6m after stock revalued

The hope that 1987 would be a year of continued recovery for Corah, manufacturer and distributor of knitted clothing and fabrics, was shattered by yesterday's interim announcement. Pre-tax profits in the six months to July 3 have plunged from £906,000 to £182,000 and taking an exceptional item into account there is a loss of £1.57m.

The exceptional item of £1.76m arises from the directors' decision to re-assess the realisable value of surplus stocks which will be disposed of more rapidly, thereby improving cash flow and reducing borrowings which stood as high as 75 per cent of shareholders funds at the end of 1986.

Mr Nicholas Corah, the executive chairman, said that *following the re-structuring* of the group, which included management changes, management critically reviewed all overhead costs and identified substantial savings. There will be benefits *this* year but the major contribution to profit will accrue in 1988 and thereafter.

Reviewing the past six months, Mr Corah said while the year started with optimism, with encouraging sales in January and February, certain factors have had a major effect on the interim results. The decision to reduce *work in progress* by cutting back production in order to conserve cash had an adverse effect on the recovery of manufacturing overheads. This was compounded by most disappointing sales in May and June.

The H. R. Howard subsidiary made a loss of £425,000 in the first half of 1987. There followed a strike at the Ashton factory in June which cost the company £275,000 in lost production and severance payments, of which £75,000 has been charged against the first half. The strike was subsequently settled in August and steps are under way to ensure that Howard achieves profitability early in 1988.

Based on a strong order book and with the expectation of reasonable sales through to Christmas, the chairman said the board anticipates a significant recovery in profit in the second half of the year. Pre-tax profits for the whole of 1986 were £2.29m.

Turnover in the period was £46.63m (£45.89m) and the cost of sales, £39.79m (£37.85m). The operating profit was £1.24m (£2.1m) after deducting distribution and selling costs of £2.87m (£2.8m) and administrative expenses of £2.74m (£2.34m). Interest payable was £1.05m (£1.2m) and tax took £208,000 (£317,000) leaving a *loss* per 25p share of 5.2p per share (1.7p earnings).

The board stated that its confidence in the future is reflected in the decision to maintain the interim dividend at 1.6p.

APV Baker up 50% and merger benefits to come

GOOD PROGRESS continued to *be made by APV Baker* in the first half of 1987, with group turnover showing a rise of 53 per cent and the pre-tax profit an increase of 50 per cent.

And prospects were encouraging, the directors said. There were record orders on hand and good order prospects in the main business segments, and they described the outlook for the second half and the carry forward into next year as promising.

The group is engaged in the manufacture of specialised process plant principally for the food and beverage industries, machinery for the printing industry, and chemical and polymer processing equipment.

In the half year its sales reached £297.6m (£195m), *trading profit* was £18m (£11.7m) and the pre-tax balance £16.2m (£10.8m). Earnings were 22.1p (20.9p) and the interim dividend is 8p (7p).

Sales and trading profits in the former APV companies were on a satisfactory trend with *a positive contribution* from the acquisitions of late 1986 and early 1987.

The trend of profitability in the former Baker Perkins group improved since the bad results in the third quarter of 1986-87, and that should continue as the restructuring took affect. Potential benefits of the merger had been widely recognised; restructuring was proceeding to plan and could be expected to result in substantially improved performance next year.

Referring to the recent acquisition, Pasilac - Danish Turnkey Dairies, the directors said its markets and geographical spread were complementary to those of the company. Substantial benefits would come in 1988 and onwards.

Since the beginning of 1986 the company's share price had more than trebled — yesterday it closed at 834p, up 38p — and the directors are recommending that the 50p shares be sub-*divided into 10p shares.*

● comment

These figures were ahead of market forecasts but even so a 36p leap to 832p seemed a bit of an over-reaction. Analysts are puzzling over their full year forecasts and who can blame them; hard information was distinctly sparse. There is no split between the old APV and the new Baker; there is no breakdow nof rationalisation costs or the potential offset from property sales; orders are higher but it is difficult for the company to say by how much. Rather like a football supporter who arrives too late for the game, one can only gain a vague impression of what is going on by listening to the roar of the crown inside. So far, the rationalisation appears to be going well and the management inspires confidence but the shares have had a good run and assuming £43m this year the p/e of 15 seems well up with events.

Manders moves up to £2.5m

WOLVERHAMPTON - BASED Manders (Holdings), the paints, printing inks and property group, raised pre-tax profits by 8 per cent from £2.28m to £2.47m for the first half of 1987. Turnover was 11 per cent higher at £29.37m.

The improvement reflected an increase on the UK paint and printing inks side, where profits rose from £1.16m to £1.41m. Overseas printing inks turned in a lower £213,000 (£285,000) while property profits slipped marginally to £1.25m (£1.27m).

However, in the second half, *decorative* paint sales have started slowly and profitability *was being affected by increases* in raw material costs and keen price competition.

First-half tax charge was £890,000 (£860,000) and stated earnings per 25p share came to 10.4p (9.3p). The interim dividend is increased to 3.2p (2.8p)

The company said that refurbishment of the Mander *centre at a cost of £4m, was on* schedule for completion prior to Christmas, 1987.

Computer People doubled to £1m in first half

TAXABLE profits of Computer People Group, supplier computer staff to organisations and businesses which came to the market in May, doubled from £510,000 to £1.03m in the half-year to June 30 on turnover which increased from £13.21m to £17.2m.

Mr Michael Bayfield, chairman, *said* the level of increase was helped by a quicker-than-normal recovery from the traditional seasonal reduction in consultants on assignment in the early part of the year. This development will lead to a more even profit performance over the current year.

Both the UK and US performed well, with further increases in the number of consultants on assignments. Operating profit in the first six months was up from £736,000 to £1.17m; interest took £139,000, against £226,000, and tax amounted to £414,000 (£201,000), leaving earnings per 5p share to emerge at 6.15p (3.3p).

As forecast the interim dividend is 1.2p.

Sutherland just ahead midway

Sutherland Holdings, formerly ET Sutherland and Son lifted pre-tax profits by £5,000 to £165,000 in the six months to June 27 1987.

Turnover for the company, which makes, processes and distributes food products, advanced by 73 per cent to £18.88m (£10.91m). The interim dividend is a lower 0.3p (1.46p).

Operating profits fell from £213,000 to £197,000 and interest payments totalled £32,000 (£53,000). After tax of £58,000 (£60,000) earnings came out at 0.52p (0.67p)

CHI buys Gripperrods for £30m via placing

By David Waller

CH Industrials, the holding company with interests ranging from building chemicals to car sunroofs, is to buy Gripperrods International, a leading manufacturer of carpet grippers and flooring accessories, for £30.3m to be raised via a vendor placing.

CHI plans to raise a further £8.3m, £2.1m *of* which will be used to buy DMI Holdings, a producer of components used in office furniture, and the balance spent on a number of smaller, as yet unspecified acquisitions.

In total, CHI's equity will expand by two thirds, creating a group with a market *capitalisation of approximately* £100m.

The acquisition of Gripperrods, a subsidiary of British Land, adds a fifth division to CHI's existing activities in chemical and polymer products, specialist engineering.

Gripperrods is UK market leader in the supply of metal and wood fixing strips for fitted carpets. It also makes related products such as underlay and adhesives, complementing the specialist flooring chemicals and renderings sold already by Cementone Beaver, a CHI subsidiary.

Mr Tim Hearly, CGI's executive chairman predicted that Gripperrods would make pre-tax profits of £2m in the second half of the current year, against a restated £2.1m made the whole of last year, on £18.9m turnover.

Mr Hearley maintained that Gripperrods had yet to derive the full benefits of its £4.65m acquisition of RCI, a major competitor, in June this year.

CHI has grown rapidly, from pre-tax profits of £400,000 on turnover of £18.2m in 1982-83 to £3.59m in 1986-87 on turnover of £55.9m.

Its shares closed up 1p at 186p. There will be a clawback facility for existing shareholders at the placing price of 167p.

With the sale of Gripper*rods — British Land* completes the process of disposing of its industrial interests. It will make a profit on disposal of approximately £20m, and its shares added 5p to 342p.

COMPANY NEWS IN BRIEF

GOAL PETROLEUM shareholders took up 35.87m (about 97.8 per cent) of the 36.§68m shares on offer. The balance has been sold at 97.75p net per share. Following the rights Norwich Union Life is interested in 32.5m shares (29.5 per cent) and the Prudential Group remains interested in 6.62m (6 per cent).

KEWILL SYSTEMS has traded strongly in the early months of the financial year, compared with last year, the chairman told the annual meeting. Turnover for the five months to August 31 was up by about 30 per cent. A return to profit for the first six months at PSI was foreseen and that company should trade even for rest of year.

ELECTRONIC MACHINE has conditionally agreed terms for the acquisition of 80 per cent of Winsdale. This company began trading in January 1986 *as consultants to the defence* industry and is planning to enter into commercial activities relating to defence technology transfer.

TI GROUP said shareholders had put in valid applications for 24.29m shares, some 91 per cent of the 26.78m total on offer. The remainder were subject to the placing. Completion of the acquisition of Houdallie was expected next week.

STODDARD (Holdings) has continued the trend of the first quarter results which were on target and well ahead of last year, the chairman told the annual meeting. *Margins had* continued to improve and results were still substantially ahead.

McKECHNIE BROTHERS has acquired the business and freehold property of Precision Moulded Plastics (Dorset) for up to £y.5m. PMP, which makes and supplies a range of plastic encapsulated filters and strainers, forecast sales and pre-tax profits of £1m and £250,000 respectively for 1987.

BOARD MEETINGS

TODAY

Interims:— Breedon, Dinkie Heel, Macallan-Glenlivet, Wm Morrison Supermarkets, George Oliver (Footwear), Platignum, Sale Tilney.

Interims:—Breedon, Dinkie Heel, Finals:—Broadcast Communications, Northern Industrial Improvement Trust, Star Computer, Telemetrix, Zambia Copper Investments.

Terry Povey on the tactics and players in the bitter battle for Guinness Peat

How the New Zealanders gained the initiative

THE BATTLE for Guinness Peat Group is still raging—or so the share stake communiques from Mr Robert Maxwell's Holborn headquarters appear to indicate. The publishing and printing magnate yesterday announced an increase in his GPC holding to 6.4 per cent.

Equiticorp, the New Zealand banking and investment group which on Thursday increased its offer for GPG to 115p-a-share, which values the target at £356m, now sits on 39.2 per cent of the UK company's issued capital. The bidder believes that it has already won the day and that Mr Maxwell is engaged in a "futile spoiling action."

There is more than one element of irony in Mr Maxwell's involvement—it was the ubiquitous publisher who, supported by MIM, at the last minute successfully blocked GPG's bid for Britannia Arrow almost two years ago—and GPG has been considered vulnerable to predators ever since.

Secondly, it was the recent introduction of the publisher of the Mirror and the People to the GPG farrago, apparently with the encouragement of Mr Alastair Morton, GPG's abrasive chairman, that convinced most of the banking and fund management group's executives of the need to come to terms with Equiticorp.

Certainly th eidentity of some of the 'white knights' who too kan interest in GPG, was a major factor in the decisio nof the management of its key US subsidiary, Fortsmann-Leff, to sell most of their shares to the New Zealanders. It also led Lord Kissin, GPG's founder, to indicate his approval of them by underwriting the increased offer.

The introduction of Mr Mexwell is seen by many as the third major gaffe made by GPG since April when Equiticorp purchased its initial quarter stake in the UK group. Then Mr Morton reacted in a customary dismissive manner, telling all and sundry that the New Zealanders were Slater Walker look-a-likes, with hardly a million of two to rub between them.

When Equiticorp asked for three board seats this reaction was repeated—in spades. However, the need for Equiticorp's support for a share issue to fund an acquisition caused the GPG leadership to change its tune. The New Zealanders obtained two seats on the board plus, through an underwriting arrangement, built its stake up to almost 30 per cent.

Gaffe number two was the Guinness Mahon management buy-in incentive scheme — the plan to acquire eight executives to run the group's merchant bank that, according to internal management figures, would have led to a £38m payout in 1992. GPG's refusal to put this issue before shareholders provided Equiticorp with an unparalleled opportunity to go on the attack.

Further, a death in Germany led to ownership of a major parcel of shares passing from father to son — the shift of loyalties allowed Equiticorp to snap up another 5.6 per cent and obliged it to launch its 110p-a-share bid. On the defensive, GPG's board revealed the details of the entiv escheme. And in spite of the artfully worded 19-page release, the New Zealanders were given a present of round one in the bid battle.

However, it was still the view of Mr Morton that Equiticorp could not possibly succeed against his combined might. Others in the GPG camp were not so sure—many more feared that a long drawn out battle over the control of a people's business would lead to the key staff leaving in droves.

So when the only white knights that Lazards and Mr Morton could come up with were Mr Maxwell or Canadian financiers, the Belzeberg Brothers, the reaction of GPG's executives was that the time had come to open talks with Equiticorp. It was as a result of these "amicable" discussions and the prospect of a "satisfactory working relationship" between the two sides, that Equiticorp increased its offer last week.

But Mr Maxwell is clearly not reconciled to an Equiticorp win at 115p—apart from anything else he would lose money. Mr Morton would still dearly like to prove all around him wrong, to "blast the New Zealanders out of pride intact, head off for the next top-level Eurotunnel fund raising meeting.

Equiticorp: plenty of staying power

WHEN ONE of Mr Robert Maxwell's aides approached Equiticorp recently, offering to buy it out of Guinness Peat, he expressed surprise that the New Zealaners were not quaking with fear at the approach of his publisher master.

However, like Alastair Morton, executive chairman of the besieged banking and fund management group, Mr Maxwell appears to have seriously misjudged the staying power of the intruders.

Part of the reason for this misjudgment lies in a too quick dismissal of the resources of a youthful group which celebrated its third birthday in April by spending £83m on a quarter stake in GPG.

Equiticorp may have only been founded in 1984 but its leading lights—Allan Hawkins (chairman and 40 per cent shareholder) and Grant Adams (deputy chairman with a small stake)—are accountants by trade (like many Antipodean entrepreneurs) and were both senior executives in Marac, New Zealand's largest non-bank financial services group, for a decade starting in the early 'sixties.

Mr Hawkins, aged 46, went on from Marac to become the managing director of Westpac's New Zealand merchant banking subsidiary. Mr Adams, aged 48, stayed with Marac, becoming managing director in 1981, until leaving to join up with Mr Hawkins in the formation of Equiticorp.

From its launch, with a shareholders funds base of NZ$35m (which compares with March 1987's NZ$500m) Equiticorp pursued a two track growth policy.

First, there are the operations of its finance group (total assets NZ$994m), which encompass a commercial lending portfolio, corporate finance and money market and treasury operations. It is the lending operations which account for most of the group's 330 per cent gearing.

Second, there are the investment activities. In New Zealand the most important of these is a 49.9 per cent holding in Feltex, a carpets, coverings and retail chain which is New Zealand's 16th largest company. There are also major holdings in electronic consumer goods, property development, pulp and chipboard, and horticultural products.

In Australia is the 58 per cent owned and publicly quoted Equiticorp Tasman, or ET as it is affectionately known. This has been involved in several major corporate battles. One of which was a A$1.3bn struggle for control of chemicals major ACI (which was profitably lost). Another involved a A$650m clash with the UK's Redland over Monier, the building products group. Redland has obtained 50.3 per cent of Monier but now has to cope with having ET as a 30 per cent plus minority shareholder.

Grant Adams (left), deputy chairman of Equiticorp and Allan Hawkins, chairman

For the year to March, Equiticorp reoprted net profits of NZ$104.9m more than triple the previous year's result and twenty times that of 1984-85.

Equiticorp's window to the outside world is Hong Kong where its 75 per cent owned but separately quoted Capitalcorp subsidiary is based. The first 25.5 per cent stake in Guinness Peat was acquired by the Hong Kong arm.

However, it is Equiticorp itself which is bidding for GPG today. Wtih 39.2 per cent of the target's shares already purchased and a growing rapport with the UK group's operating management what are the New Zealanders' plans for Guinness Peat?

Mr Adams and his London team are, contrary to the City's expectations of Antipodean entrepreneurs, cautious fellows. He expects to spend several months discussing possibilities with the incumbent management at GPG—none of whom, with the exception of Mr Morton, is due for a change.

At group level the task of cairman (to be recruited within the UK) and chief executive (currently held by Michael Kerr-Dineen) will be split but its board "will not be swamped by Equiticorp." The plans are for thtree Equiticorp executives—Hawkins, Adams and Peter Hunt, the managing director of Capitalcorp—to join the existing executive directors and for three non-executive directors, one of whom to be chairman, to be found in the UK.

For Guinness Mahon, the merchant banking unit of CPG, a new chief executive will be recruited—Equiticorp says it has already received several approaches from interested parties. Mr Adams is determined, however, to avoid the "A-team, B-Team" approach he sees as implicit in the now defunct management buy-in scheme. "Contrary to the impression given by some there are a lot of good people doing good work within Guinness Mahon," he said.

—Equiticorp is clearly very happy with the US fund management activities — an area in which it lacks experience as a group. It is concerned to see what can be done to develop the relationship with GPA, the lucrative Irish aircraft leasing activity in which GPG has a 22.6 per cent holding. Some involvement of Guinness Mahon with GPA is one possibility; another is an international link-up of GPA with Ansett — the Australian airline which is expanding its leasing operations.

Equitcorp clearly feels it has come very close to victory — it would still like a 60 per cent stake — and according to Mr Hunt is determined to play out what it hopes will be the closing stages of its takeover of GPG "with dignity." "But," he adds, "if anyone thinks we will run away from a fight, they've got Equitcorp all wrong."

Molins reiterates forecast of £10m

Molins, the cigarette-making equipment company which recently fought off a £93m takeover bid from Tozer Kemsley & Millbourn, yesterday announced interim pre-tax profits of £3.1m, down from £4.6m in the same period of 1986.

However, the company had already warned shareholders of these figures during the bid battle, when it also made a full-year pre-tax profits forecast of not less than £10m, against £9m last year. Molins reiterated yesterday that it expected to meet this forecast, together with earnings per share of 21.5p.

It said the drop in profits at the interim stage was wholly attributable to the phasing of tobacco machinery deliveries which, "in this year of highly important change from older generation products to the new cogarette making and packing machinery, is unavoidably weighted towards the second half of the year."

Trading profits from tobacco machinery totalled £1m (£4.1m) on sales of £33.7m (£45.7m)—and it pointed out that 1986 first half sales were an uncharacteristically high proportion of that year's turnover.

Corrugated board machinery produced profits of £1m (£0.6m) on sales of £16.7m (£17.5m) and were expected to continue at this improved level. Langston UK had a poor start to the year but subsequently built up a much improved order book, in part thanks to a recently announced Chinese order.

The figures also include the first significant contribution—£1.1m—from Molins' flexible machinery system patents.

Group turnover was £50.4m (£63.2m), the tax charge £1.7m (£0.9m). Earnings per share after tax totalled 5.2p (12.8p). The interim dividend is 2.5p (2.2p).

Pennant bid for Country and New Town

By Paul Cheeseright, Property Correspondent

Pennant UK, a subsidiary of Pennant Holdings of Australia, yesterday made its obligatory bid for the whole of the issued share capital of Country and New Town Properties that it does not already own and urged shareholders not to accept it.

The situation arises from the purchase last month for £39.3m of 44 per cent of Country and New Town's shares from British and Commonwealth. Since then it has bought further shares in the market and currently holds 51 per cent.

This therefore triggered an unconditional offer to the shareholders of Country and New Town at a price of 197p a share — what Pennant had been paying on the market.

Pennant's intention though is to hold only 49.9 per cent of Country and New Town and wants the company to retain its listing. So shares which are sold to Pennant are likely to be sold on.

"Arrangements have been made with Hoare Govett, Pennant UK's financial advisers, whereby sufficient CNTP shares will be placed with institutional investors to ensure that the listing is maintained and that there is an adequate market in the shares," shareholders are being told.

Mr Gerald Newton, the CNTP chairman, who has welcomed the Pennant purchase of CNTP shares, said that he would retain at least 500,000.

On the market yesterday, CNTP shares were unchanged at 198p.

All-round growth boosts Laporte to £34m halfway

Laporte Industries (Holdings), chemicals group, increased pre-tax profits by 18 per cent from £28.8m to £34m and turnover rose from £205.3m to £224.7m in the six months ended June 28 1987.

Mr Ken Minton, chief executive, said yesterday that the benefits from the group's programme of investments in the UK and overseas were continuing to come through and had contributed substantially to the profits increase.

All the core business had performed well with the desired high rate of growth. Interox, the hydrogen peroxide group owned jointly with Solvay of Belgium, continued to make progress and contributed £15.8m (£14.4m) to pre-tax profits.

The acquisition of Compugraphics International, announced in July, would substantially benefit the electronics businesses while the recent purchase of Vinings Industries of Atlanta, Georgia, would provide a global opportunity for the expansion of the technical and commercial strengths of Laporte in the paper and water treatment industries.

Mr Minton said that the group's financial position remained strong with a healthy balance sheet and excellent cash flow. Commitment to growth by expension of the core businesses remained the highest priority and plans for further acquisitions were well advanced. A good outcome for the year as a whole was expected and prospects for sustained growth were excellent, he said.

Taxes amounted to £11.6m (£10m) and minority debits £100,000 (£100,000). Earnings per 50p share increased to 16.3p (13.8p).

The interim dividend was increased to 4.4p (3.8p).

• comment

Laporte has for several years been cranking up the margins at Interox but the limit must be close now it has reached 20 per cent. That need not cause too much concern. Worldwide sales of Interox products are still growing by about a tenth every year and Laporte is meanwhile boosting both turnover and margins at the core business. Among the achievements is the growth of the timber treatment business which in four years has been built up from nothing to one with a turnover in the US of more than £60m. Laporte aims to increase pre-tax profits by at least 15 per cent a year and that should be easily achievable this year and next. With £74m in view the shares are trading on a prospective p/e of about 15. The downside seems limited and the shares could receive a boost when the company goes for its next acquisition.

First Security merging with Hawtal Whiting

BY JOHN GRIFFITHS

First Security Group, the electronic sensors, car safety and security systems group partly owned by United Technologies of the US, is mrging with Hawtal Whiting, the Essex-based motor industry design and engineering consultancy.

The deal takes the form of a recommended offer by FSG for all of Hawtal's capital, and values Hawtal at around £37m.

Dr Fred Westlake, FSG's chairman, said last night the merger would allow the new grouping to exploit more effectively opportunities in the motor and aerospace industries.

Jointly, the nw group would be able to build up th ability to provide lectronic, design and engineering products and services covering most elements making up a vehicle.

Only two weeks ago, Hawtal also received full Civil Aviation Authority approval as a supplier of aerospace technical services.

The merger will serve to reduce Hawtal's previously very heavy reliance on General Motors of the US, from around 95 per cent of its turnover to less than 50 per cent within the new grouping.

The weakness of this dollar-related business was the principal reason for a drop in Hawtal's pre-tax profits from £4.34m on turnover of £34.49m for the whole of last year to £810,000 on a £15.8m turnover in the first half of the current year.

Announcing the merger yesterday, FSG said it already had acceptances amounting to 62 per cent of the Hawtal capital.

Six new 10p FSG ordinary shares of 10p are being put up for each five Hawtal shares of 5p, which values Hawtal's shares at 504p. Hawtal's traded at 435p imediately before its suspension on Monday.

Alternatively, Hoare Govett, FSG's brokers, are offering a cash alternative of 485p a share.

Full acceptance of the offer will result in up to 8.7m new FSG ordinary being issued, repreenting about 48 per cent of the enlarge capital of FSG.

FKB in £6m deal to buy ADS

FKB Group, the sales promotion and marketing services business, is buying ADS Group, a Manchester-based marketing services company, for up to £6m.

It will pay £1.75m in cash on completion, with further deferred payments over the next three years in cash or shares dependent on future profits performance.

ADS, founded in 1976, provides a broad marketing service and clients include Ferranti, GEC, Great Universal Stores and Crown Paints. Pre-tax profits last year totalled £172,000 and it has warranted profits of not less than £300,000 in the year to September 30.

FKB, which recently moved from the USM to the main market, said the acquisition would provide the group with "one of the UK's leading direct marketing agencies" and enhance the group's existing capabilities in this field.

Desoutter up 20% to £3m

A significant increase in margins has led to Desoutter Brothers (Holdings), precision mechanical engineers, producing a 20 per cent increase from £2.45m to £2.95m in pre-tax profits in the first half of 1987. The improvement in sales was from £19.02m to £20.21m.

Mr R. C. Desoutter, chairman, said provided overseas currencies, particularly in Europe, maintained their present levels against sterling there was a good prospect of sustaining the improvement through the remainder of the year.

Interest payable for the half year was £115,000 (£198,000) and UK and overseas taxation amounted to £1.05m (£867,000) leaving attributable profits of £1.9m (£1.59m) for earnings of 15.14p (12.6p) per 25p share.

The interim dividend is raised from 2.5p to 2.7p.

UK COMPANY NEWS

Acquisitions help Abaco boost profits to £6.5m

BY STEVEN BUTLER

Abaco Investments, financial services company, yesterday reported a near five-fold increase in pre-tax profits to £6.55m in the year to the end of June, while turnover increased from £16.8m to £46.67m.

The rapid growth of the company reflects an aggressive acquisition programme, with much of it funded by share issues. However, earnings per share also moved sharply ahead, more than doubling from 1.03p to 2.31p. A full-year dividend was declared at 0.4p — up from 0.2p.

Mr Cameron Brown, chief executive, said that organic growth contributed only to a minor part of the improved performance.

"At this stage of Abaco's growth, it is primarily acquisitions," he said yesterday.

He added, however, that strong organic growth had been experienced in many of the businesses acquired. This resulted in part from savings in management costs in what were fragmented fee-earning professional firms.

The results could not be taken as a reflection of the true earnings capacity of the current business of the group, Mr Brown said, because of the number of acquisitions completed throughout and after the end of the financial year. Since July 1986 Abaco has completed 26 acquisitions, 12 effective sonce the end of the financial year.

The enormous expansion of the group has led Abaco to adopt a five-division structure and divisional boards are set to be in place by the year end which are to retain significant management autonomy. The divisions include residential estate agencies, personal financial services, commercial estate agencies, loss adjusting, and other activities.

Property - related services accounted for some 70 per cent of profits. Turnover in residential estate agencies reached £14.86m, with operating profits at £2.99m. Personal financial services, including mortgage broking and insurance broking, contributed £6.63m to sales and £1.75m to profits. Sales in the commercial estate division reached £3.69m, with profits of £1.64m.

The loss-adjusting division was built through the acquisition of Toplis & Harding, Trundle Heap & Baker, John Lewis and Maxson Young Associates, with operating profits of £1.48m on a turnover of £14.83m. Other activities contributed £1.21m in profits and £6.72m in turnover.

Earnings data for the company were calculated on the basis of a weighted average of number of shares in issue, which came to 186.4m shares, compared with 104.9m in the previous year. Actual shares in issue at the end of June reached 221m, up from 122m in the previous year.

Lancaster advances to £1.35m at midway

A STRONG UK market for motor vehicles which benefited all sectors of its business helped Lancaster, retail motor trading group, boost taxable profits by 67 per cent from £810,000 to £1.35m in first half of 1987. Turnover moved up from £37m to £51.86m.

Mr Jeremy Brown, chairman, said that trading in the second half of the year started well, although higher operating costs, notably increased property rentals and costs associated with computerisation and decentralisation were likely to limit profits growth in the period.

Nevertheless, with the current strong market in the motor industry he looked forward to the future with confidence.

He said that the company continued to review opportunities for further expansion.

Lancaster, which obtained a full market listing in July this year, paid increased tax of £439,000 (£257,000) and earnings per 25p share rose from 4.4p to 7.2p.

Mr Brown said that as indicated at the time of the company's flotation it would not be paying an interim dividend. However, a final dividend for 1987 would be payable in May 1988.

Since the float, Lancaster had opened its new facility at West Thurrock. Plans for the relocation of the Mercedes-Benz dealership at Hertford were progressing satisfactorily and negotiations were in hand to acquire an excellent site close to the town centre.

Fergabrook cuts its losses

Fergabrook Group, a distributor of consumer merchandise cut pre-tax losses from £2.15 to £771,000 on turnover reduced substantially as result of restructuring from £31.67m to £5.23m in the first half of 1987.

The loss per 20p share of this USM-quoted company was cut from 8.49p to 3.04p and the directors said that the company would not be paying a dividend.

Mr Richard King, chairman, said that the reduction in turnover was largely because of the disposal of TriTrade, Fergabrook's wholesaling of DIY, gardening and domestic hardware products arm which had a turnover of £23m

The results reflected the seasonal nature of the toy business which represented a very major part of the turnover. The second half of the year would show considerable improvement as a result of Christmas-related sales. They also indicated that the benefits of the restructuring were beginning to be seen.

Sales in the toiletries division in 1987 would be substantially in excess of last year and Mr King said that he was confident that the division was now capable of profitable growth. The security and electrical products division was expected to make a small loss this year and to contribute to group profitability next year.

The company's forward sales position for the current year gave it utmost confidence that it would return to profitability for the full year, bearing in mind the current seasonal nature of its business.

Turnover on the continuing businesses increased by 50 per cent. Losses on the continuing businesses for the comparative period last year were £2.3m.

Distribution of toys through Rainbow Toys, the company's main activity, were substantially ahead and would continue so for the full year. He said that the division would be profitable for the year.

Westpool repeats £2.8m at year end

Westpool Investment Trust, an investment holding company with mainly listed investments, announced unchanged pre-tax profits of £2.84m for the year to end-April 1987.

The directors are recommending an increased final dividend of 1.35p (1.256p) for a total 0.1p ahead at 1.7p. Earnings for the year rose to 2.09p (1.9p) basic, and fully diluted were 1.78p (1.7p).

Gross income moved ahead from £3.17m to £4.13m, which included £2.97m (£2.59m) in dividends from London Merchant Securities. The group has not yet received its share of the LMS proposed final dividend for the year ended March 1987. That amount, £2.22m including the associated tax credit, will be reflected in Westpool's results for the year to April 1988.

Tax was £783,000 (£886,000) and there was a £853,000 extraordinary credit (£1.02m debit).

Sale of land helps profits rise at Garton Engineering

Garton Engineering, manufacturer and distributor of engineering components and special fasteners and dealer in land, upped pre-tax profits from £290,000 to £427,000 on turnover ahead from £7.08m at £7.49m in the first half of 1987.

The directors declared an interim dividend of 1.25p (1p) and after tax of £126,000 (£41,000), earnings per share rose from 6.76p to 8.08p.

The improvement was thanks partly to an £88,000 exceptional credit resulting from the sale of part of an area of land geographically unrelated to the company's manufacturing centres.

The directors said that a rapid build-up in demand had exceeded the company's expectations and there were good indications that the high level of forward demand would be sustained well into 1988.

Production was being increased to match demand and the company would expect a continuing high level of sales and some improvement in profitability.

Clarke Nicholls ahead midterm

FIRST HALF results from Clarke Nicholls & Coombs, property investor and developer, showed turnover increasing from £1.97m to £2.76m and pretax profit rising from £407,000 to £720,000.

Gross rental income was up to £911,000 (£648,000) and property development to £1.85m (£1.32m), including a useful trading surplus from the acquisition and disposal of a property in Victoria.

The second half started encouragingly, the directors reported.

Earnings were 4.6p (2.5p) and the interim dividend is 1.1p (1.05p).

Ian Hamilton Fazey on Miller and Santhouse's rapid progress

Seeing a market for expansion

Miller and Santhouse, the Liverpool-based opticians which floated on the USM in October 1986 and which announced good first full-year's results as a public company this week, is having a customarily busy month.

On Monday it opened the company's 46th "sight centre" —a departure from its normal practice of choosing only prime positions in busy high streets, because this one is Britain's first "drive-in" opticians. Four more shops of the conventional sort are being fitted out and will open before October.

The latest Miller and Santhouse outlet may not be that much of a departure, however. It is sited on the successful out-of-town Retail World Parkgate shopping complex near Rotherham, and most of Britain's big retail names are already there.

This means that Mr Maurice Miller, the company's joint founder and its marketing expert, is ensuring that his products and services are in a place where potential customers turn up in large numbers.

Other "drive-ins"—or rather "drive-tos," since you have to get out of the car to have your eyes tested—are likely to figure next year when he launches his company's assault on what for it is a virgin South-east.

By then, he thinks that cash flow will be so good that all future expansion can be paid for from revenue. The capital raised from flotation has financed the current wave of expansion, the speed of which can be gauged from the fact that the company had only 22 outlets when it went public.

If there are four "P's" in marketing—products, place of sale, prices and promotion—Mr Miller has ensured that his company has combined them into what looks like a winning mix.

The City thinks so too: Miller and Santhouse's shares went on offer at 105p, opened at 133p, closed at 150p at the end of the first day, and have not looked back since. Pre-tax profits have risen from £57,000 in 1983 to £362,000 in 1986 and this week the group announced a further jump to £611,000 for the year to June, as well as a £5m rights issue. The shares closed last night at 665p, down 5p.

The reasons for the company's success becomes clear as Mr Miller whisks breathless visitors round his rabbit warren of a headquarters in Lord Street, Liverpool's most famous shopping thoroughfare.

It is a rabbit warren because the company needed more space above its original shop. Liverpool's decline meant many empty neighbouring offices in the long terrace of high street buildings. Miller and Santhouse took them over from the first floor upwards and knocked through to expand sideways in both directions.

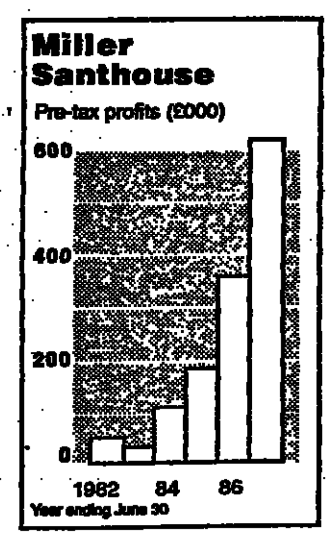
This has given the space for stock, manufacturing, administration, an in-house retail design studio (to get point-of-sale promotion right and consistent nationwide) and the company's training centre.

The business is run by Mr Miller, Mr Jeffrey Santhouse, a fellow optician who supervises professional standards nationwide, and Mr Alan Tinger, who sold his share in a two-man chartered accountancy practice to join his major client as finance director for the flotation.

There seem to be four reasons for success — a small top management team that knows what it is doing, sound marketing, exceptionally good managerial controls which make use of the latest electronic point-of-sale (EPOS) technology, and well-motivated staff.

Mr Miller spent his first few years after qualifying running his own optical wholesaling business. He sold it to set up in practice with Mr Santhouse but was, as Mr Tinger puts it, "a frustrated retailer in far too small a business."

As the practice expanded it used Mr Miller's past experience and contacts to cut out middle men by buying direct from manufacturers. Now he buys massively and exclusively direct from the most fashionable designers and manufacturers in the Far East and Europe.



With fewer links in the chain, the company is able to score heavily on pricing. Typically, it is £10-£20 a pair cheaper for the equivalent pair of spectacle frames from competitors. It then scores through having a glazing facility in every shop, so that all but complicated spectacles are ready in about an hour, a standard of service most people expect to find only in places like Hong Kong.

It uses its EPOS system to control stock levels and assess trends in public taste. Each till in the network of branches—which spreads out from Merseyside north into Scotland and westwards and south into Yorkshire and the Midlands—feeds back automatically to the head office computer with full details of each transaction.

The print-out from each till is also useful to the customer since it contains their prescription. A chit with each pair of glasses offers 20 per cent off a second pair made to the same prescription within a year.

The question is whether al this will be ruined by growth as sheer size makes managerial control more difficult. Mr Miller says that the EPOS tills and technology will do their job well whatever the company's size. The key will be keeping staff motivated.

Many professional staff bought shares on flotation and have thus seen the value of their holdings rise dramatically. A share option scheme to be introduced soon for key staff is likely to make them even more eager to contribute to the business's success.

Under this, some rewards packages will include options on 10,000, 20,000 and—for some senior people—30,000 shares. If the share price continues to hold up and develop, this should mean substantial nest eggs for many, small fortunes for those whose role will be critical. Mr Miller thinks this will help motivation mightily.

However, even with 300 staff and coming up to 50 branches, Miller and Santhouse is nevertheless small in ophthalmic retailing. Will giants like Boots Optical and Dolland and Aitchison let them get away with an increasing market share in prime high streets?

Mr Tinger says: "We keep doing what we think is right and don't worry about them. We wait for the best high street sites and open there, wherever the competition is. One of our most successful shops was opened next door to a Boots Optical branch.

"There were already 11 opticians in Warrington and when we opened slap in the middle of the shopping precinct, the trade thought we were mad. We are doing very well and, we think, better than everyone else.

"Competitors like Dolland and Aitchison are very good and we respect them greatly. But they have 600 branches and cannot respond all that quickly. We believe we have a flying start in advanced retailing technology and the incentive throughout the company to win everywhere we operate," he says.

COMMODITIES AND AGRICULTURE

UK maltsters face barley shortage

BY BRIDGET BLOOM

BRITAIN'S TOTAL cereal harvest this year is likely to be at least 2.25m tonnes or nearly 10 per cent less than last year, according to figures published yesterday by the National Farmer's Union.

The figures, the preliminary result of the NFU's annual cereal harvest survey, suggest for the first time that the country's barley harvest could be almost as severely affected by the recent heavy rains as the wheat harvest.

According to the NFU, the wheat crop is expected to be something under 12.25m tonnes, against nearly 14m tonnes last year, while some 9.25m tonnes of barley is anticipated compared to 10m tonnes last year.

However, the situation could well be worse than these broad figures suggest for thepremium malting barleys, which are grown principally in the eastern counties most affected by rain. According to one malting industry estimate, the amount of malting quality barley available to maltsters could be down by 15-18 per cent.

The malting industry used 1.6m tonnes of barley last year, with a further 400,000 tonnes being exported. The very wet weather has affected not only the quantity but the quality of the grain. It is suggested that while yields may be down by 5-7 per cent, a further 10 per cent may effectively be lost through poor quality.

If the worst predictions are fulfilled, between 200,000 and 300,000 tonnes may have to be imported, some barley merchants believe. Within the European Community Denmark normally produces a healthy surplus of malting barley. It is not yet clear whether this will be the case this year, however, as the Danish harvest has also suffered from poor weather.

The Maltsters' Association of Great Britain believes it is too early to be sure that imports will be needed, but it highlights a further problem. Britain normally exports about 300,000 tonnes of malt a year to third countries. The extremely high prices now being paid to farmers for high quality barley —up from about $130 a tonne in early August to near £155 a tonne currently—could make UK malt uncompetitive.

Of the normal barley crop of 10m tonnes about 2.5m tonnes is used for brewing beer and distilling whisky. The balance of the crop is used for animal feed in the UK (some 3.5m tonnes), for seed (500,000 tonnes) and for export for feed to third countries.

Tanzania plans to curb gold smuggling

By Phillip Smith in Dar es Salaam

A minister in the Tanzanian Government has confirmed that approximately half a tonne of gold is being smuggled out of the country each month.

The Minister for Energy and Minerals, Mr Al Noor Kassum, said this week that an inquiry into the escalating smuggling problem was to be launched, and a policy introduced in Parliament to curb the trade.

Large quantities of gold are reportedly being smuggled through Dar Es Salam air and sea ports with the co-operation of licensed goldsmiths.

A major source of the gold is the Buckreef development in the Geita district of the Mwanza region. Smaller quantities are mined by peasants using their bare hands and old redundant mines spread across the country.

Gold production in Tanzania dwindled to almost nil in the 1970s, but the Buckreef mines—with an estimated life of 15 years—were reopened in 1983. Commercial quantities of gold have been discovered on the fringes of the mines.

The mining sector accounted for only 0.6 per cent of the country's GDP in 1982, but this figure does not allow for extensive illegal mining.

An investigation in the Sunday Times of Tanzania said that the miners sold their gold to both legal and illegal dealers instead of the state mining corporation (Stamico). Illegal dealers offer five times the Stamico price.

"We are aware that a lot of illegal gold is being smuggled out but it is difficult to give accurate figures," Mr Kassum said. He confirmed that an investigation into the problem was to be conducted immediately.

Gold plays an important role on the black market in Tanzania. Traders smuggle gold out in exchange for a range of consumer items, including motor vehicles and clothing. However, the majority of the earnings are kept overseas

Backing expected for tin quotas

BY WONG SULONG IN KUALA LUMPUR

MINISTERS OF the seven-nation Association of Tin Producing Countries are to discuss the possibility of extending their current export quota programme by another year when they meet in Kuala Lumpur at the end of the month.

Malaysia, the largest producer, believes that other ATPC members are prepared to continue the quota programme provided non-members, particularly Brazil and China, are willing to continue to co-operate by restraining their sales. Brazil and China will be sending observers to the miinsterial meeting.

The ATPC members—Indonesia, Malaysia, Thailand, Australia, Bolivia, Nigeria and Zaire—are generally satisfied with the performance of the export quota scheme under which they are limiting total exports to 96,000 tonnes for the year from last March.

The scheme helped to reduce the stockpile of tin overhanging the market from 85,000 tonnes two years ago to about 55,000 tonnes last month.

Some sectors of the Malaysian tin industry are lobbying for Kuala Lumpur to opt out of the scheme, but the Malaysian Government is against such a move as it feels a free-for-all would depress prices.

Dr Lim Keng Yaik, the Malaysian Primary Industry Minister, is expected to take over the ATPC chairmanship from Dr Subroto of Indonesia at the coming meeting.

The ATPC will also discuss a proposal to increase its budget by £1m to £2.5m to enable its London-based International Tin Research Institute to conduct more research and development work.

Meanwhile Mr Syed Jabbar Shahabudin, chief executive of the Kuala Lumpur Commodities Exchange, has denied local media reports that the exchange has postponed tin futures trading to November.

He said tin trading would definitely begin in October as planned, and the exact date would be announced by Dr Lim when he opens a tin trading seminar on September 30.

The seminar is to take advantage of the ATPC meeting to familiarise foreign tin producers with the new hedging facility on the KLCE.

Physical tin was traded at 16.91 ringgits a kg (£4,114 a tonne) in the Kuala Lumpur tin market yesterday, down one cent. But traders say demand has been strong in recent weeks, and expect the 17 ringgit market to be broken soon.

S African coal mines suffer fresh blow

BY GERRARD McCLOSKEY IN LONDON AND BRENDAN RYAN IN JOHANNESBURG

SOUTH AFRICAN coal exporters, still dusting themselves down after the three-week strike by the National Union of Mineworkers, have now been dealt a blow which is potentially much more damaging.

The state - owned South African Transport Authority (SATS) has suddenly and unilaterally raised the rail rates for carrying coal to Richards Bay, the country's exporting port on the Indian Ocean.

The R4 a tonne-rise brings haulage rates to R28.50 a tonne for carrying coal from the most distant mines to the terminal. It is the second rail rate increase this year and another is expected on April 1 1988.

These rail rate increases, along with higher labour costs following the NUM pay settlement, are among a series of costs increases which have steadily eroded South Africa's position as the world's lowest-cost producer. The rand has recovered from a low of just 36 US cents in December 1985 to 49 cents now; the recent NUM award has put another 5 per cent on costs and inflation is running at 16 per cent. All this comes on top of a boycott of South African coal in France, Scandinavia and the US.

The result has been a swift reversal in the growth of coal exports. Last year 45.5m tonnes were moved—over 40m tonnes through Richards Bay—but this year the signs, from annualised Richards Bay figures to the end of August, are that more than 4m tonnes will be lost with many industry leaders predicting a far bigger drop.

While costs have been escalating prices have dropped. In December 1985, when the rand was at its weakest and rand earnings for US dollar denominated coal sales at a peak, spot prices for South African coal were around $38 a tonne, delivered into Europe; but last week they were almost 10 cents below that level.

In marked contrast to the South African industry's treatment by SATS, the same price pressures which are exerting themselves on the Australian coal industry have seen both state and federal governments embark on a search of ways of reducing rail and port charges. In addition, and in spite of the week-long strike at the mines which ended this week, the mining unions have agreed to cut bonus payments at a growing list of mines.

Bad weather may cut EC sugar exports

By David Blackwell

EXPORTS OF sugar from the European Community in 1987-1988 could fall to the lowest level this decade, according to C. Czarnikow, the London trade house.

In its September review the broker puts the EC's potential exportable surplus of sugar in excess of 4m tonnes, compared with the 5.1m tonnes it was forecasting in July. But, depending on market prices, it is likel ythat about half the surplus will be rolled over into the 1988/89 crop year, leaving only 2m tonnes for export.

Czarnikow is expecting the total EC white sugar output to be about 12.62m tonnes this year, compared with a July forecast of 13.42m tonnes. The forecast has been revised downwards because of bad weather hitting European sugar beet crops in the past couple of months.

● British Sugar has cancelled the National Sugar Beet Demonstration scheduled for November 4 and 5 because of the possible risk of contamination of crops with the rhizomania virus, discovered on a Suffolk farm last month.

Australia probes grain handlers

Chris Sherwell on a study which may result in a major overhaul of cereals services

THE NEED for a radical overhaul of Australia's grain storage, handling and transport system is likely to be stressed in a Royal Commisssion discussion paper to be published next week. The Commisssion has been working for almost a year and its long-awaited paper will detail some of the preliminary findings gleaned from the hundreds of written submissions and numerous oral presentations made at public hearings around the country.

Next week Mr Jim McColl, the Commissioner, begins a trip to the Middle East, Europe and North and South America.

In recent months the Commission has published some of its initial thoughts, and the discussion paper is likely to repeat its controversial comments suggesting that the institutional framework and pricing practices now in place of wheat and other grains are in need of far-reaching changes.

As if that were not enough, a second spotlight is being trained on the wheat industry by the Industries Assistance Commission (IAC), the Government's advisory body on assistance given to primary, secondary and tertiary industries.

The IAC is busily examining not only the assistance which the Australian wheat industry receives but also the domestic and export marketing arrangements which it operates. The existing scheme expires next June, and the Government must decide whether to extend or change it.

Both the IAC and the Royal Commission are due to report early in 1988. Their findings will be important because the outlook for wheat—Australia's third largest export earner, behind coal and wool—is far from encouraging.

According to the Government's Bureau of Agricultural Economics, Australian wheat output will fall below 14m tonnes over the next few years from the record 22m tonnes of 1983-84, while exports will sink to between 11m and 12m tonnes.

At the same time low wheat prices—the result of declining import demand and US and EC support policies—are likely to persist in the medium term. That means intensifying pressure on Australian wheat farms, whose incomes are already estimated to average zero.

The findings will be important for a wider reason too. They will touch on aspects of the Australian economy which have hitherto escaped the broad sweep of the Labour Government's reformist brush.

One, obviously, is the transport sector, which is still one of the country's most heavily regulated areas of economic activity.

The Royal Commission starts from the fact that between 1979 and 1986, the cost of storage, handling and transport services took a rapidly increasing share of the customer's price—more than 19 per cent last year.

In respect of transport, it has looked closely at the lack of competition between road and rail in the movement of grain and at the costs and pricing of these alternatives.

In its view, protective legislation and government policy mean there are "significant restrictions" on the use of road transport to carry grain from local silos to ports in all states.

As a result the rail transport of grain represents a "significant proportion" of most state rail authorities' business, both in terms of tonnage and freight revenue.

Comparing costs of road and rail, the Commission has found that where branch lines carry less than 50,000 tonnes a year the grain might be more economically cleared by road. Where the volume is above 150,000 tonnes, it suggests rail might be better.

The Commission has also found that there is a wide divergence in the cost of the rail service. It says the rates a particular grain grower pays the rail authorities may be subsidised by other growers, other rail traffic or taxpayers generally—and in some cases by all three.

In the Commission's view, there must be serious doubt whether the regulated rail system can be efficient and cost-effective. There is, it says, scope for significant deregulation.

Its initial verdict on pricing in Australia's grain storage and handling system is just as sobering. Again, it has found a range of pricing practices and says few of them reflect the cost of service provided.

The bulk handling authorities —which, like the rail authorities, are statutory monopolies in some states — aim for full cost recovery by generally pooling all costs and determining an average price per tonne for the service they provide.

This charge is paid by the Australian Wheat Board—the institution which compulsorily acquires the wheat harvest and markets it domestically and abroad.

The board in turn passes the handling charges on to growers through a deduction from marketing proceeds—adding its own marketing costs and, in the case of exports, port and shipping costs.

As with rail freight charges, the Commission wonders seriously whether pooling costs for storage and handling adequately reflects the relative efficiency of different silos and port facilities.

It also asks questions about revenue pooling, in which payments are made to producers which may not fully reflect the value of differences in quality or of domestic sales as compared with exports.

According to the Commission, there is "dissatisfaction" with the current pricing policies of both the transport and the bulk handling authorities.

In its view pooling continues not for reasons of equity, grower support or operational efficiency, but for administrative and operational convenience.

Moreover, according to some submissions it has received, a more competitive environment could lead to average cost savings for all wheat growers of up to A$15 (£6.60) a tonne.

The Commission acknowledges that existing institutions have made efforts to improve efficiency by administrative means, such as performance standards and incentive and penalty payments. But it says that the types of incentive structures found in competitive markets are very difficult to create through agreements and administrative methods, not least because the latter may not be cost-related and tend to be less flexible and less responsive to change.

All in all, it clearly favours what it calls a "market driven" approach, in which there are cost-related price signals flowing in the system, rather than a "service driven" approach, in which a predetermined level of service dictates the level and disposition of resources.

The details are still to be spelled out. The Commission's report at the end of this month will give some views on the sort of system.

How such a system might be put into effect will only emerge after further hearings and analysis. A final report is not scheduled to be published until well into next year.

LONDON MARKETS

COPPER PRICES on the London Metal Exchange reached the highest levels for several weeks yesterday as the cash Grade A position closed with a net gain of £29.50 at £1,122 a tonne. News of a tentative labour agreement at Ford Motor Company's US operations aided the established bull trend, dealers said. They also noted substantial physical demand from the Far East, stop-loss buying, buying on behalf of commodity funds and some covering against potential options declarations. The aluminium market also came back to life after a couple of relatively quiet days. Prices moved through a dollar-based resistance area early on, prompting a wave of fresh buying and covering against short sales which saw the cash standard quotation close £28 higher at £1,058 a tonne. The only LME base metal to lose ground was zinc, with the cash quotation ending £3.25 down at £450 a tonne. Dealers said that there was little to encourage buying of zinc now that the Cominco strike was over and talks about rationalising European production of the metal had collapsed.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or —	High/Low
Cash	1770-80	+45	—
3 months	1720-30	+31	1715/1718

Official closing (am): Cash 1740-5 (1735-45), three months 1710-5 (1695-1705), settlement 1745 (1745). Final Kerb close: 1720-30. Ring turnover: 2250 tonnes.

99.5% purity	£ per tonne		
Cash	1057-9	+28	—
3 months	1019-20	+18	1025/1014

Official closing (am): Cash 1055-7 (1031-3), three months 1022-2.5 (1001-2), settlement 1057 (1033). Final Kerb close: 1023-4. Ring turnover: 21775 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1121-3	+29.5	1124/1123
3 months	1107-8	+30	1112/1091

Official closing (am): Cash 1124-5 (1092-4), three months 1109-10 (1078-8.5), settlement 1125 (1094). Final Kerb close: 1110-0.5.

Standard			
Cash	1115-8	+30	—
3 months	1104-6	+36	

Official closing (am): Cash 1118-20 (1086-8), three months 1105-8 (1068-70), settlement 1120 (1088). US Producer prices 43/47.75 cents per pound. Total Ring turnover 38800 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	391-3	+4.5	397/386
3 Months	374-5	+3.75	381/373

Official closing (am): 395.5-6 (388-9), three months 377.5-8 (370-1), settlement 396 (389). Final Kerb close: 373-5. Ring turnover 8450 tonnes. US Spot: 42 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	3285-90	+40	3278
3 months	3285-9	+34.5	3320/3285

Official closing (am): Cash 3278-80 (3240-5), three months 3289-90 (3239-40), settlement 3280 (3245). Final Kerb close: 3285-90. Ring turnover 1284 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	449.5-50.5	—3.25	—
3 months	464.5-5	—2.5	461/455

Official closing (am): Cash 452.5-3.5 (453-4), three months 457.5-8 (457.5-8), settlement 453.5 (454). Final Kerb close: 453-5. Ring turnover: 8575 tonnes. US Prime Western: 43/47.75 cents per pound.

TIN

KUALA LUMPUR TIN MARKET: Close 16.91 (16.92) ringgit per kg. Down 0.01 ringgit per kg.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Calls Jan.	Puts Nov.	Puts Jan.
Aluminium 99.7%	—	—		—	
	—	—		—	
	—	—		—	
Aluminium 99.5%	1,675	84	56½	41	99
	1,700	70	47½	52	114½
	1,725	58	40	64	131
Copper (Grade A)	1,750	107	110½	27	63
	1,800	75½	85	46½	86
	1,850	51	64	70	114
Copper (Grade A) £/tonne	1,075	54½	56½	15	32½
	1,100	39½	44	24½	44
	1,125	27	33½	37	57½

GOLD

GOLD BULLION (fine ounce)	Sept. 17	
Close	$460¼-460¾	(£279¼-279¾)
Opening	$459-459½	(£278¾-279¼)
M'n'g fix	$458.80	(£279.075)
Aft'n'n fix	$460.50	(£279.360)
Day's high	$460¾-461¼	—
Day's low	$458-458½	—

GOLD AND PLATINUM COINS		
Am Eagle	$473-478	(£287¼-290¼)
Mapleleaf	$471½-474¼	(£286¼-288¼)
Kr'g'rnd	$459-462	(£278¾-280½)
½ Krug.	$234½-244	(£142½-148¼)
¼ Krug.	$116¼-124¼	(£70½-75½)
Angel	$469-472	(£284¾-286½)
1/10 Angel	$46¼-50¼	(£27½-30½)
New Sov.	$108¼-109¼	(£65¾-66¼)
Old Sov.	$108¼-109¼	(£65¾-66½)
Noble Plat.	$598-608	(£363¼-369¼)

MEAT

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 97.74p per kg lw (0.03). GB—Sheep 156.48p per kg est dcw (7.84). GB—Pigs 76.22p per kg lw (1.46).

INDICES

REUTERS

Sept. 17	Sept. 16	M'th ago	Year ago
1664.2	1654.7	1673.2	1506.4

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Sept. 16	Sept. 15	M'th ago	Year ago
Spot	128.91	128.21	—	122.68
Fut	131.02	130.80	—	125.29

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Sept. 17 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1775/755		$1850/870
Copper			
Cash Grade A	£1122	+24.5	£1079.5
3 months	£1107.5	+30	£1067.25
Gold Troy oz	$460.5	+2	$456.75
Lead Cash	£392	+4.5	£401.5
3 months	£374.5	+3.75	£383.75
Nickel			
Free Mkt	242/252c	+2	237/257c
Palladium oz	$137.25	+0.25	$138.50
Platinum oz	$583.75	+1.5	$598.50
Quicksilver†	$300/310		$270/280
Silver troy oz	456.65p	—5.70	480.00p
3 months	468.10p	—5.75	492.30p
Tin			
Free Mkt	£4150/158	—5	£4730/220
Tungsten	$55.47		$53.69
Wolfram 22.04lb	$40/57		$43/56
Zinc	£450	—3.25	£485
3 months	£454.75	—2.5	£485.5
producers	$860		$860
OILS			
Coconut (Phil)	$477.5w		$500
Palm Malayan	$335z		$320
Seeds			
Copra (Phil)	$315		$320
Soyabean (U.S.)	$153	+2	$149
GRAINS			
Barley Fut. Nov.	£102.10	—0.55	£101.30
Maize	£150.00		£152.00
Wheat Fut. Nov.	£105.35	—0.25	£102.90
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1226	—9	£1280.5
Coffee Ft. Nov	£1309	+0.5	£1271.5
Cotton A Ind.*	83.90c	+1.05	87.25c
Gas Oil Nov.	$157.25	—0.75	$157.25
Rubber (kilo)	71p	—0.5	70p
Sugar (raw)	$158w	+1.8	$154
Wooltops 64s	490p kilo		548p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v Oct. x Aug-Sept. w Oct-Nov. u Sept-Oct. y Nov. z Dec.

SILVER

Silver was fixed 8.7p an ounce lower for spot delivery in the London bullion market yesterday at 456.65p. US cent equivalents of the fixing levels were: spot 760.9c, down 11.2c; three-month 765.4c, down 11.15c; six-month 781.85p, down 10.1c; and 12-month 815.8c, down 10c. The metal opened at 458-459½ (753½-755½c) and closed at 459½-461p (757-759c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffi'l	+ or —
Spot	456.65p	—8.70	756c	—4
3 months	468.10p	—5.75	770c	—4.5
6 months	480.55p	—5.85	—	—
12 months	504.75p	—5.80	—	—

LME—Turnover: 0 (0) lots of 10,000 oz.

COFFEE

Robusta's spent a quiet day trading in thin conditions with light volume, reports Drexel Burham Lambert. With no new fundamental factors the market remained subdued, dealers being very much withdrawn ahead of the forthcoming talks. Despite New York's early steadiness London remained lethargic during the afternoon.

COFFEE	Yesterday close	+ or —	Business done
Sept	1275-1280	+5.0	1280-1270
Nov	1308-1310	+0.5	1314-1300
Jan	1333-1335	—2.0	1339-1327
Mar	1352-1355	—	1356-1347
May	1369-1372	—1.5	1376-1366
July	1388-1393	+0.5	1389-1386
Sept	1408-1413	+0.5	—

Sales: 1,485 (2,270) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for September 16: Comp daily 1979 104.15 (104.18); 15-day average 105.63 (105.51).

COCOA

In relatively thin trading conditions the market made the opening due of £5 lower before steadying. However, towards the close the market eased to finish near the day's lows. Both origins and manufacturers remained withdrawn from the market, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
Sept	1195-1198	—1.0	1205-1195
Dec	1225-1227	—8.0	1240-1225
March	1255-1256	—11.0	1270-1258
May	1276-1277	—12.0	1288-1275
July	1299-1300	—10.5	1307-1298
Sept	1317-1319	—9.0	1328-1320
Dec	1335-1340	—9.0	1352-1338

Sales: 2,392 (4,998) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for September 17: 1540.33 (1546.43); 10-day average for September 18: 1528.78 (1531.51).

FREIGHT FUTURES

A featureless day but good two-way business was conducted in the range established over the previous two days. Gulf/Holland was reported lower at $8.25 for the good size vessel, but appears to have had no marked effect on the futures, reports Clarkson Wolff.

Dry Cargo	Close	High/Low	Prev.
Oct.	1050	1050/1058	1056
Jan.	1100	1100/1088	1092
Apr.	1150	1150/1140	1125/1170
July	1040	1040	1020/1070
Oct.	1140	—	1140
Jan.	1150	—	1150
April	1190	—	1190
BFI.	1038	—	1046

Turnover: 141 (182).

GRAINS

LONDON GRAINS—Wheat: US dark northern spring No 2 14 per cent Oct 96.25, Nov 97.50. US No 2 soft red winter Oct 91.25, Nov 93.75, Dec 95.25. French 11½-12 per cent Sept 136.50 sellers. English feed fob Sept 105.00-105.50 buyer/sellers, Oct 107.50 buyer, Nov 107.00 value, Oct-Dec 107.00-107.75, Jan-March 110.00-110.50, April-June 114.00-114.50 buyer/sellers. Maize: US No 3 Yellow/French transhipment east coast Sept 150.00 seller. Barley: English feed Sept 100.00-100.75 buyer/sellers, Oct 105.00, Oct/Dec 106.50 sellers, Jan-March 109.50-110.25 buyer/sellers.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
Sep.	104.70	—0.15	100.25	+0.80
Nov.	105.35	+0.35	102.10	+0.55
Jan.	107.35	+0.30	105.00	+0.55
Mar.	111.00	+0.30	107.00	+0.50
May	112.65	+0.05	108.60	+0.45
July	114.75	—0.25	—	—

Business done—Wheat: Sept 104.70-4.00, Nov 105.35-4.85, Jan 107.35-7.00, Mar 110.05-9.70, May 112.60-2.40, July untraded. Sales: 444 lots of 100 tonnes. Barley: Sept 100.25-99.50, Nov 102.10-1.50, Jan 105.00-4.35, Mar 107.00-6.50, May 108.65-8.35. Sales: 189 lots of 100 tonnes.

Wheat struggled in early trading particularly on spot positions which touched 85p down, but commission house buying kept values steady. Barley firmed after a nervously easier start, but soon found trade buying interest to steady sharply, reports T. G. Roddick.

HGCA — Locational ex-farm spot prices. Feed barley: S East 98.70, W Mids 95.70, N West 96.50. The UK monetary coefficient for the week beginning Monday, September 21 will remain unchanged.

POTATOES

Heavy rainfall over much of the UK overnight lifted prices, but trade remained thin, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Nov.	84.30	82.90	84.00-83.00
Feb.	93.00	92.00	—
March	85.50	87.30	86.00
Apr.	132.60	132.00	132.80-131.70
May	146.30	146.50	—

Sales: 430 (571) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel) Oct.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.85-16.90	—
Brent Blend	18.42-18.47	—0.155
W.T.I. (1pm edt)	19.63-19.67	—0.175
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($per tonne)		
Premium gasoline	173-176	—
Gas Oil	154-156	—
Heavy fuel Oil	95-96	+1
Naphtha	158-160	+1.5

Petroleum Argus estimates
* October.

SOYABEAN MEAL

News of a Soviet purchase of 300,000 tonnes of soya meal pushed prices higher early on. Good two-way commercial trade and professional short-covering was noted at these levels. Late in the day prices eased on a disappointing performance in Chicago, reports Muirpace.

	Yesterd'ys close £ per tonne	+ or —	Business done
October	154.0-155.0	+1.50	154.8
Dec	133.0-134.0	+1.75	133.5
Feb	134.0-134.5	+1.80	134.0
April	134.6-135.5	+1.85	135.0
June	129.6-130.0	+2.05	—
August	126.5-129.9	+1.75	—
October	126.0-130.0	+1.50	—

Sales: 552 (90) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $158.00 (£96.20), up $1.60 (up 80p) a tonne for October/November delivery. White sugar $185.80, up $1.60.

	Yesterd's close	Previous close	Business done
$ per tonne			
No. 6 Raws			
Oct.	143.4-145.8	138.6-139.2	144.6-138.9
Dec	150.4-152.9	148.5-145.6	150.6-145.4
Mar	159.4-169.8	155.4-155.6	161.4-155.0
May	164.4-164.8	159.2-159.5	165.5-159.6
Aug	168.4-168.6	163.8-164.0	165.2-163.8
Oct.	173.4-174.9	168.4-169.6	168.4
Dec	176.0-178.6	172.2-175.4	—
No. 5 Whites			
Oct.	197.0	192.5	206.5-201.9
Dec	188.6-190.0	184.0-186.0	191.6-184.4
Mar	185.5-186.9	189.5-190.0	184.7-189.4
May	188.8-189.0	191.2-194.5	198.5-195.9
Aug	199.0-192.5	195.8-199.9	202.5-197.6
Oct.	—	—	—
Dec	210.9	205.0-206.0	210.9

Sales: No 6 3,528 (2,922) lots of 50 tonnes; No. 5 1,803 (2,039).

Tate & Lyle delivery price for granulated basis sugar was £200.50 (£200.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for September 16: Daily price 5.86 (5.72); 15-day average 5.59 (5.56).

PARIS—Whites (FFr per tonne): Oct 1,114-1,116, Dec 1,158-1,160, Mar 1,182-1,118, May 1,210-1,220, Aug 1,235-1,245, Oct 1,260-1,275.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
Oct	155.50	—1.25	158.50-55.00
Nov	157.25	—0.75	157.75-55.25
Dec	159.50	—	158.50-58.25
Jan	160.50	—0.75	—
Feb	161.00	—0.50	—

Turnover: 3,048 (3,571) lots of 100 tonnes.

RUBBER

PHYSICALS—closing prices (buyers): Spot 71.00p (71.50p); Oct 70.50 (71.00p); Nov 70.75p (71.25p). The Kuala Lumpur fob prices (Malay-Singapore cents) per kg was: RSS No 1 271.0 (271.5); SMR 20 256.0 (255.0).

US MARKETS

EARLY FUND short-covering coupled with light bank buying steadied gold before commission house selling emerged at the highs in an otherwise quietly traded session, reports Drexel Burnham Lambert. Silver moved higher on trade and local buying but the funds were noted sellers at the highs. Copper firmed on fund buying, especially towards the close, and new contract highs were again reached as stops were elected. Trade selling eased crude oil before local and commission house buying helped prices recover slightly before locals liquidated long positions. Coffee rallied on commission house, local and stop-loss buying. Cocoa initially eased on speculative selling, but recovered on trade and local buying. Sugar rallied sharply on speculative, scattered trade and stop-loss buying. Cotton tended to consolidate as the market assessed recent fundamental news. The meats were easier across the board, cattle on continued commission house liquidation, the hogs and belies on weaker cash prices. The grains were thinly traded. Commission house and commercial buying firmed soyabeans and meal, while soyabean oil was steady on reports of expanded export business. Commission house and commercial buying was noted in maize

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb	Close	Prev	High	Low
Sept	82.65	80.70	83.00	83.00
Oct	80.00	78.45	—	—
Nov	80.00	78.45	—	—
Dec	79.25	77.70	79.00	79.00
Jan	77.50	76.00	—	—
March	74.75	73.25	—	—
May	71.65	70.40	—	—
July	69.50	68.50	—	—

COCOA 100 tonnes, $/tonnes	Close	Prev	High	Low
Dec	1907	1904	1923	1906
March	1924	1924	1939	1922
May	1952	1952	1966	1966
July	1975	1973	—	—
Dec	2024	2021	2031	2030

COFFEE "C" 37,500 lbs, cents/lb	Close	Prev	High	Low
Sept	113.05	111.60	112.50	111.95
Dec	115.72	114.34	116.20	113.80
March	119.00	117.94	119.25	117.40
May	120.30	119.25	120.40	118.90
July	122.83	122.00	122.90	120.40
Sept	123.75	122.00	—	—
Dec	125.25	123.25	—	—

COPPER 25,000 lbs, cents/lb	Close	Prev	High	Low
Sept	84.15	82.70	84.20	83.20
Oct	83.15	81.70	—	—
Nov	82.70	81.30	—	—
Dec	82.20	80.75	82.25	81.15
Jan	81.50	80.06	—	—
March	80.20	78.75	80.25	79.35
May	79.40	78.00	79.00	78.66
July	77.80	76.65	—	—
Sept	78.35	77.05	77.90	77.85
Dec	78.20	76.95	77.80	77.40

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels	Latest	Prev	High	Low
Oct	19.60	19.73	19.72	19.57
Nov	19.23	19.38	19.36	19.22
Dec	19.08	19.20	19.21	19.07
Jan	19.01	19.11	19.14	19.00
Feb	19.02	19.06	19.10	18.97
March	19.00	19.02	19.05	18.99
April	18.98	18.99	19.05	18.98
May	18.98	18.96	19.03	18.96
June	19.00	18.94	19.00	19.00
July	18.97	18.92	18.97	18.95

GOLD 100 troy oz, $/troy oz	Close	Prev	High	Low
Sept	459.7	457.8	460.0	459.0
Oct	460.9	459.2	462.4	459.4
Nov	464.0	462.3	—	—
Dec	466.9	465.1	468.4	465.1
Feb	473.3	471.5	475.0	472.3
April	479.6	477.8	481.1	479.0
June	486.1	484.3	486.8	486.2
Oct	500.0	498.2	—	—
Dec	507.2	505.4	509.0	507.0
Feb	514.6	512.8	—	—
June	529.6	527.7	—	—

HEATING OIL 42,000 US gallons, cents/US gallons	Latest	Prev	High	Low
Oct	52.05	52.30	52.35	51.80
Nov	52.50	52.86	52.95	52.35
Dec	53.10	53.54	53.50	53.00
Jan	53.70	54.17	54.00	53.60
Feb	54.10	54.48	54.30	54.00
March	52.50	52.88	52.62	52.50
April	51.40	51.58	51.40	51.30
May	50.10	50.33	50.10	50.10
June	49.60	49.83	—	—
July	49.50	50.03	—	—

COTTON 50,000 lbs, cents/lb	Close	Prev	High	Low
Oct	76.05	76.89	77.50	75.50
Dec	74.78	75.62	76.35	74.05
March	75.75	76.92	77.50	75.50
May	76.65	77.35	77.80	75.90
July	75.80	77.03	77.30	75.80
Oct	68.85	70.33	70.60	69.62
Dec	66.80	68.08	68.50	66.80

ORANGE JUICE 15,000 lbs, cents/lb	Close	Prev	High	Low
Sept	137.15	139.10	139.80	136.50
Nov	130.80	131.30	131.40	130.00
Jan	128.30	128.55	128.50	127.75
March	128.80	128.85	129.00	128.50
May	129.35	129.05	129.25	129.10
July	129.65	129.35	129.50	129.45
Sept	129.95	129.55	—	128.00

PLATINUM 50 troy oz, $/troy oz	Close	Prev	High	Low
Oct	580.6	584.4	583.0	583.0
Jan	588.7	592.1	601.0	591.5
April	606.9	600.2	607.0	600.0
July	615.4	608.4	614.0	610.2
Oct	623.9	616.9	—	—

SILVER 5,000 troy oz, cents/troy oz	Close	Prev	High	Low
Sept	757.5	746.0	761.0	750.0
Oct	760.0	748.5	—	—
Nov	765.2	753.7	—	—
Dec	770.0	758.5	776.0	759.5
Jan	775.1	763.6	772.0	766.5
March	786.9	775.4	790.0	779.0
May	798.5	787.0	799.5	790.0
July	810.7	799.2	811.5	801.5
Sept	822.9	811.5	—	—

SUGAR WORLD "11" 112,000 lbs, cents/lb	Close	Prev	High	Low
Oct	6.39	6.17	6.39	6.17
Jan	6.70	6.50	6.70	6.70
March	7.19	6.99	7.19	7.00
May	7.37	7.17	7.37	7.19
July	7.54	7.32	7.50	7.38
Oct	7.79	7.53	7.80	7.56
Jan	8.01	7.75	—	—

CHICAGO

LIVE CATTLE 40,000lbs, cents/lbs	Close	Prev	High	Low
Oct	66.90	67.35	57.47	66.75
Dec	66.72	66.90	67.15	66.60
Feb	66.52	66.80	67.12	66.45
April	67.52	67.72	68.05	67.55
June	67.65	67.70	67.90	67.45
Aug	66.20	66.72	66.60	66.00
Oct	66.00	65.00	65.50	64.95

LIVE HOGS 30,000 lbs, cents/lbs	Close	Prev	High	Low
Oct	47.05	47.92	47.90	47.00
Dec	45.55	46.25	46.25	45.30
Feb	43.37	44.17	44.37	43.25
April	40.95	41.57	41.82	40.90
June	43.27	43.80	43.85	43.25
July	43.80	44.30	44.25	43.70
Aug	42.55	43.17	43.40	42.55
Oct	40.70	40.70	40.85	40.60
Dec	40.77	40.77	40.80	—

MAIZE 5,000 bu min, cents/56lb-bushel	Close	Prev	High	Low
Sept	175.2	175.0	176.4	174.0
Dec	179.6	180.2	181.0	179.2
March	189.6	189.2	190.0	187.5
May	194.4	194.2	194.4	192.6
July	196.2	196.2	196.6	195.0
Sept	194.4	193.2	194.4	193.0
Dec	198.4	198.0	198.4	197.0

PORK BELLIES 38,000 lbs, cents/lbs	Close	Prev	High	Low
Feb	58.87	59.32	59.50	58.65
March	58.42	58.50	58.70	57.95
May	58.95	58.92	59.20	58.60
July	58.90	58.80	59.00	58.35

SOYABEANS 5,000 bu min, cents/60lb-bushel	Close	Prev	High	Low
Sept	531.2	528.4	536.0	528.4
Nov	532.6	535.0	[illegible]	532.0
Jan	538.6	540.4	543.6	538.4
March	544.6	546.2	549.2	544.0
May	550.0	551.6	553.4	550.0
July	551.2	553.0	555.2	551.0
Aug	548.0	549.4	548.0	548.0
Sept	538.0	542.0	542.4	538.0

SOYABEAN MEAL 100 tons, $/ton	Close	Prev	High	Low
Sept	180.5	179.9	183.0	178.5
Oct	174.6	174.6	177.1	173.3
Dec	170.6	170.7	172.6	169.6
Jan	168.5	169.0	170.3	167.5
March	168.7	167.7	169.0	166.0
May	165.7	165.7	167.0	165.0
July	165.0	164.1	166.0	164.5
Aug	164.0	163.6	166.0	164.0
Sept	164.1	162.7	166.5	164.0

SOYABEAN OIL 60,000 lb, cents/lbs	Close	Prev	High	Low
Sept	16.16	15.96	16.20	15.93
Oct	16.23	15.96	16.25	15.98
Dec	16.61	16.34	16.62	16.36
Jan	16.75	16.50	16.80	16.52
March	17.08	16.85	17.10	16.84
May	17.31	17.08	17.32	17.15
July	17.50	17.27	17.50	17.25
Aug	17.51	17.27	17.50	17.52
Sept	17.50	17.32	17.50	17.50
Oct	17.70	17.55	17.65	17.75

WHEAT 5,000 bu min, cents/60lb-bushel	Close	Prev	High	Low
Sept	282.4	285.0	285.4	282.0
Dec	296.0	298.2	298.6	295.2
March	302.6	304.4	305.0	302.0
May	298.2	298.2	298.4	297.2
July	282.4	284.4	284.0	282.0
Sept	284.4	286.4	—	—

SPOT PRICES: Chicago loose lard 16.00 ((same) cents per pound. Handy and Harman silver bullion 753.0 (757.0) cents per troy ounce. New York tin 317.0-318.0 (316.5-318.0) cents per pound.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound firm but cautious

Sterling showed a favourable but restrained response to further encouraging economic data. Investors seemed determined to wait for today's bank lending and money supply figures before making any decision. Even if these are satisfactory, sterling's recent strength has been sufficient to arouse fears of central bank intervention.

Sterling opened at around DM 2.99 which was a little too close to the DM 3.00 level regarded as a trigger point for Bank of England intervention. Consequently there was some hesitation to try and push beyond this level just yet although if today's bank lending figures prove to be favourable, then demand for sterling could provide the Bank with a trial of strength.

Yesterday's economic data showed that UK unemployment fell by a record amount for August to 2.83m or 10.2 per cent while the second quarter current account deficit was calculated at just £174m, helped by an upward revision in invisibles. In addition unit labour costs rose much in line with expectations to a year on year rise of 1.7 per cent while the underlying increase in average earnings remained static at 7.75 per cent.

Today's money supply figures could provide the key to whether sterling will remain within its recent trading range (regarded by some as a shadow range of full EMS membership) or whether the Bank of England will have to flex its muscles and defend the DM 3.00 level with conviction.

Th pound's exchange rate index finished at 73.2, unchanged from the opening but up from Wednesday night's close of 73.1.

Sterling finished at $1.6465 from $1.6455 and was unchanged against the D-Mark and Swiss franc at DM 2.9875 and SFr 2.4775 respectively. Against the yen it fell to Y236.0 from Y237.50 but finished higher against the French franc at FFr 9.97 from FFr 9.96. The dollar showed little overall change on balance. Traders appeared to be ingrained with a bearish attitude caused by the lack of progress in narrowing the US trade deficit. Nerves were further strained because the return of Congress heralded the start of active discussion over attempts to reduce the US budget deficit.

The dollar finished at DM 1.8150 from DM 1.8155 and Y143.35 compared with Y144.35. Elsewhere it was unchanged at SFr 1.5055 and slightly firmer against the French franc at FFr 6.0550 from FFr 6.0525. On Bank of England figures, the dollar's exchange rate index fell to 100.9 from 101.9.

D-MARK—Trading range against the dollar in 1987 is 1.9365 to 1.7000. August average 1.8573. Exchange rate index 146.5 against 147.2 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8174 against DM 1.8123 on Wednesday.

Dollar trading was confined to a narrow range in the absence of any fresh incentive. Next week's meeting of central bankers was tending to postpone a natural desire to push the dollar lower. While there appeared to be little hope of any fresh initiative from the meeting, speculators were content to cover their positions and adopt a wait and see attitude.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. August average 147.57. Exchange rate index 221.9 against 211.3 six months ago.

Trading was dull and featureless in Tokyo. There was insufficient incentive to make any serious attempt at pushing the dollar outside its recent trading range and the US unit finished at Y143.80, unchanged from Wednesday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0897	+1.49	+0.77	±1.5344
Danish Krone	7.85212	7.99308	+1.80	+1.08	±1.6404
German D-Mark	2.05853	2.07646	+0.87	+0.15	±1.0981
French Franc	6.90403	6.92440	+0.30	−0.42	±1.3674
Dutch Guilder	2.31943	2.33658	+0.74	+0.02	±1.5012
Irish Punt	0.768411	0.774165	+0.75	+0.03	±1.6684
Italian Lira	1,483.58	1,499.17	+1.05	+0.95	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Sept. 17	Latest	Previous Close
£ Spot	1.6453-1.6463	1.6455-1.6465
1 month	0.30-0.29pm	0.30-0.29pm
3 months	0.93-0.90pm	0.93-0.91pm
12 months	2.78-2.68pm	2.76-2.68pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Sept. 17	Previous
8.30 am	73.2	73.1
9.00 am	73.2	73.1
10.00 am	73.1	73.1
11.00 am	73.1	73.0
Noon	73.2	73.1
1.00 pm	73.2	73.0
2.00 pm	73.2	73.1
3.00 pm	73.3	73.1
4.00 pm	73.2	73.2

CURRENCY RATES

Sept. 17	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.78460	0.694865
U.S. Dollar	5.5	1.2907	1.12361
Canadian $	8.75	*	1.50186
Austrian Sch.	4	16.46245	14.6130
Belgian Franc	7¼	48.5257	43.0897
Danish Krone	7	9.00885	7.99308
Deutsche Mark	3.0	2.3391	2.07646
Neth. Guilder	4½	N/A	2.33658
French Franc	9½	"	6.92440
Italian Lira	12	"	1499.17
Japanese Yen	2½	185.40	164.385
Norway Krone	8	N/A	7.60810
Spanish Peseta	—	"	138.911
Swedish Krona	7½	"	7.29567
Swiss Franc	3.5	"	1.72325
Greek Drach.	20½	178.752	158.582
Irish Punt	—	0.87260	0.774165

*CS/SDR rate for Sept. 16; 1.70046

CURRENCY MOVEMENTS

Sept. 17	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.2	−20.3
U.S. Dollar	100.9	−6.1
Canadian Dollar	78.5	−9.7
Austrian Schilling	137.4	+10.0
Belgian Franc	99.7	−4.7
Danish Krone	90.8	+1.0
Deutsche Mark	146.5	+21.4
Swiss Franc	172.4	+22.5
Guilder	134.8	+14.3
French Franc	71.4	−18.2
Lira	47.2	−15.1
Yen	221.9	+65.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Sept. 17	£	$
Argentina	4.0335-4.0525	2.4490-2.4590
Australia	2.2435-2.2465	1.3645-1.3655
Brazil	81.9588-82.4185	49.7470-49.9960
Finland	7.2335-7.2445	4.3960-4.3980
Greece	226.40-230.25	137.60-139.90
Hong Kong	12.8000-12.8080	7.8035-7.8045
Iran	117.70*	71.15*
Korea(Sth)	1320.45-1332.40	802.80-809.40
Kuwait	0.46310-0.46350	0.28120-0.28130
Luxembourg	61.95-62.05	37.60-37.70
Malaysia	4.1450-4.1680	2.5220-2.5230
Mexico	2537.15-2546.95	1540.00-1545.00
N. Zealand	2.5820-2.5870	1.5660-1.5680
Saudi Ar.	6.1765-6.1815	3.7500-3.7510
Singapore	3.4400-3.4600	2.0905-2.0915
S. Af. (Cm)	3.3750-3.3905	2.0455-2.0500
S. Af. (Fn)	5.3995-5.5825	3.2785-3.3895
Taiwan	49.35-49.60	30.05-30.15
U.A.E.	6.0485-6.0540	3.6725-3.6735

*Selling rate.

POUND SPOT—FORWARD AGAINST THE POUND

Sept 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6420-1.6490	1.6460-1.6470	0.30-0.27 cpm	2.08	0.94-0.90 pm	2.24
Canada	2.1627-2.1690	2.1660-2.1670	0.15-0.05 c pm	0.55	0.34-0.23 pm	0.53
Netherlands	3.35¼-3.36¼	3.35¾-3.36¾	1⅛-1⅛ c pm	4.47	3⅞-3⅝ pm	4.47
Belgium	61.95-62.20	61.95-62.05	20-15 c pm	3.39	56-47 pm	3.32
Denmark	11.49-11.52	11.50-11.51	¼ore pm-1¼ore dis	−0.33	par-⅛ pm	−0.13
Ireland	1.1125-1.1165	1.1130-1.1140	0.11-0.04c pm	0.81	0.31-0.17 pm	0.86
W. Germany	2.98¼-2.99¼	2.98¼-2.99¼	1½-1⅛ pf pm	5.52	4⅝-4⅛ pm	5.69
Portugal	234.78-236.20	235.04-236.00	89-139 c dis	−5.81	257-341 dis	−5.08
Spain	199.70-200.30	199.72-200.01	95-113 c dis	−6.24	244-96 dis	−5.40
Italy	2155¼-2161¼	2158-2159	7−11 lire dis	−5.00	20-24 dis	−4.08
Norway	10.49½-10.94½	10.93½-10.94½	3½-3⅞ ore dis	−4.04	10-10⅝ dis	−3.77
France	9.95¼-9.97¼	9.96½-9.97½	1⅞-1¼ c pm	2.18	4⅞-4 pm	1.78
Sweden	10.49¾-10.52	10.49¾-10.50¾	¼ore pm-¼ore pm	0.51	1⅛-1 pm	0.52
Japan	235½-237	235½-236½	1⅛-1 y pm	5.68	3½-3⅛ pm	5.58
Austria	21.00-21.10	21.02-21.05	9¾-8⅞ gro pm	5.31	28⅞-26½ pm	5.22
Switzerland	2.47⅛-2.48¼	2.47⅞-2.48⅞	1⅞-1⅛ c pm	6.05	3⅞-3⅝ pm	6.05

Belgian rate is for convertible francs. Financial franc 62.20-62.30. Six-month forward dollar 1.70-1.65 c pm. 12-month 2.80-2.70 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Sept. 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6420-1.6490	1.6460-1.6470	0.30-0.27c	2.08	0.94-0.90	2.24
Ireland†	1.4738-1.4795	1.4785-1.4795	0.17-0.12c pm	1.18	0.57-0.47pm	1.41
Canada	1.3135-1.3162	1.3150-1.3160	0.15-0.18c pm	−1.50	0.55-0.58 dis	−1.72
Netherlands	2.0390-2.0470	2.0420-2.0430	0.41-0.38c pm	2.32	1.17-1.12pm	2.24
Belgium	37.60-37.72	37.60-37.70	5.00-3.00c pm	1.27	12.50-8.50pm	1.11
Denmark	6.97¼-7.00	6.98½-6.99	0.60-1.30ore dis	−1.63	2.70-3.40 dis	−1.74
W. Germany	1.8115-1.8180	1.8155-1.8165	0.53-0.50pf pm	3.40	1.59-1.54pm	3.45
Portugal	142¾-143¾	142¾-143	50-150c dis	−8.39	225-425 dis	−9.08
Spain	121.15-121.71	121.30-121.35	70-90c dis	−7.89	210-240 dis	−7.40
Italy	1308-1313	1310¼-1311¼	7.00-8.50lire dis	−7.09	20.00-21.50dis	−6.32
Norway	6.64¾-6.66½	6.64¾-6.64¾	3.25-3.60ore dis	−6.17	9.95-10.35dis	−6.09
France	6.04½-6.06¼	6.05¼-6.05¾	0.05-0.15 dis	−0.20	0.55-0.85 dis	−0.46
Sweden	6.37-6.38¾	6.37¼-6.37¾	0.65-0.95 ore dis	−1.50	2.55-2.95 dis	−1.72
Japan	143.05-143.95	143.30-143.40	0.43-0.40y pm	3.46	1.24-1.20 pm	3.39
Austria	12.75¼-12.79¼	12.77-12.77½	4.00-3.00gro pm	3.28	10.50-8.50pm	2.97
Switzerland	1.5025-1.5085	1.5050-1.5060	0.48-0.44c pm	3.66	1.46-1.41 pm	3.45

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.75-37.85

EURO-CURRENCY INTEREST RATES

Sept. 17	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	—	9⅞-9¾	9⅞-9¾	10⅛-9⅞	10⅛-10⅛	10⅝-10½
U.S. Dollar	7⅛-7⅛	7¼-7⅛	7⅛-7⅛	7⅞-7⅛	8⅛-8	8⅞-8⅛
Can. Dollar	8¾-8½	8⅞-8⅝	8⅞-8⅝	9⅛-9⅛	9⅞-9⅛	10⅝-10⅛
D. Guilder	5⅛-5⅛	5¼-5⅛	5⅛-5⅛	5⅛-5⅛	5⅝-5½	5¾-5⅝
Sw. Franc	1⅞-1⅞	1½-1¼	3⅞-3⅞	3⅞-3⅞	4⅛-4⅛	4⅝-4⅛
Deutschmark	3¾-3⅝	3⅞-3⅞	4⅛-4	4⅛-4	4⅝-4½	4¾-4⅝
Fr. Franc	7½-7⅝	7½-7⅜	7¾-7⅝	8⅛-8	8⅞-8⅛	9¼-9⅛
Italian Lire	14-12	13-11	13¼-12⅝	13⅞-13⅛	13⅞-13⅝	14-13½
B. Fr. (Fin.)	6½-6⅛	6½-6⅛	6½-6⅛	6⅞-6⅛	7⅛-6⅞	7⅛-7⅛
B. Fr. (Con.)	6⅝-6⅛	6¼-6⅛	6½-6⅛	6⅞-6¾	7⅛-6¾	7⅝-7
Yen	3⅝-3½	3¾-3⅞	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛	4⅞-4⅝
D. Krone	9½-9⅛	9⅝-9¼	10-9⅝	10⅛-9⅝	10⅝-10	10⅞-10½
Asian $Sing.	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅞-7½	8⅛-8	8⅞-8⅛

EXCHANGE CROSS RATES

Sept. 17	£	$	DM	Yen	F Fr.
£	1.	1.647	2.988	236.0	9.970
$	0.607	1.	1.815	143.4	6.055
DM	0.335	0.551	1.	79.00	3.337
YEN	4.237	6.977	12.66	1000.	42.25
F Fr.	1.003	1.651	2.996	236.7	10.
S Fr.	0.404	0.665	1.206	95.26	4.024
H Fl.	0.297	0.490	0.888	70.19	2.965
Lira	0.463	0.763	1.384	109.3	4.619
C $	0.462	0.760	1.379	108.9	4.602
B Fr.	1.613	2.656	4.815	380.6	16.08

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

MONEY MARKETS

Better tone

SENTIMENT ON the London money market was slightly better yesterday, after encouraging UK economic news so far this week. Wednesday's news of half the expected Public Sector Borrowing Requirement for August, and about double the rate forecast for July industrial production set the tone.

The market is in the middle of a concentration of figures, but has not yet been disappointed. The fall of 43,300 in August unemployment, with the underlying rise in July average earnings remaining at 7.75 per cent, while unit wage costs rose at an annual 1.7 per cent, compared with 1.2 per cent in June, were in line with with expectations.

UK clearing bank base lending rate 10 per cent since August 7

Dealers noted that the median forecast for today's August bank lending is £2.5bn, according to a survey by Money Market Services, compared with recent estimates of around £2.75bn, and the published figure of £4.9bn in July. This suggests that unless there is a substantial improvement in recent figures the market will be disappointed.

Three-month interbank eased slightl to 10⅛-10 per cent from 10⅛-10 per cent yesterday.

The Bank of England initially forecast a money market shortage of £250m, but revised this to £200m at noon and provided total assistance of £182m.

Before lunch the authorities bought £50m bank bills in band 1 at 9⅝ per cent. In the afternoon another £52m bank bills were purchased in band 1 at 9⅝ per cent.

Late assistance of around £80m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £237m, with a rise in the note circulation absorbing £50m, and bank balances below target £25m. These outweighed Exchequer transactions adding £85m to liquidity.

In Frankfurt call money eased to 3.65 per cent from 3.70 per cent as the drain from monthly tax payments caused no liquidity problems for the banking system. Commercial banks held DM56.4bn at the Bundesbank on Tuesday, compared with DM53.8bn on Monday. The daily average for the first 15 days of September was DM58.3bn, well above the expected minimum to be set by the Bundesbank for the whole month of about $51.5bn.

In its September monthly report the Bundesbank tended to play down the implications of above target growth in the central bank's money supply stock, but warned that monetary expansion was still above the medium term growth potential of the economy.

The Bundesbank said money stock growth of 7.4 per cent in July and August, was set against a target range of 3 per cent to 6 per cent.

FINANCIAL FUTURES

Economic news boosts gilts

LONG TERM gilt futures were firmer on the London International Financial Futures Exchange, but nervous ahead of today's figures on UK money supply and bank borrowing. These are generally expected to show that borrowing in August was only about half the July figure of £4.9bn.

UK economic news so far this week has been encouraging, including yesterday's data on average earnings and unemployment.

An unchanged underlying rise of 7.75 per cent in July average earnings was in line with expectations, and the year-on-year increase of 1.7 per cent in unit labour costs, against 1.2 per cent in June, was also much as forecast. These figures, coupled with the largest April fall on record in UK unemployment, and the fourteenth successive decline in adjusted unemployment from a peak of 11.6 per cent last summer, to 10.4 per cent last month, pushed the market higher.

December gilts opened at 114-11, the low of the day, and finished just below the day's peak of 115-14, at 115-13, compared with 113-27 previously.

US Treasury bond futures improved on Liffe, on reports that US Congressional negotiators had made progress on an agreement to cut the Federal budget deficit.

Sentiment was also helped by a steady dollar and a larger than expected fall in August US housing starts of 1.5 per cent, but dealers suggested this was likely to be regarded as a chance to sell

December Treasury bonds opened firmer at 82-14, around the middle of the day's range of 82-01 to 82-22, and closed at 82-12, compared with 81-16 on Wednesday.

In Tokyo there were reports of some retail interest in Japanese Government bonds, but not in the benchmark 89 issue, which was sold by dealers on doubts about the future direction of US interest rates

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
108	7.40	8.18	0.14	0.50
110	5.55	6.46	0.20	1.14
112	4.14	5.21	0.52	1.53
114	2.53	4.08	1.27	2.40
116	1.52	3.07	2.26	3.39
118	1.04	2.18	3.42	4.50
120	0.38	1.40	5.12	6.08
122	0.19	1.08	6.57	7.40

Estimated volume total, Calls 5,094 Puts 1,985
Previous day's open int: Calls 21,110 Puts 14,705

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
78	5.01	4.50	0.41	1.18
80	3.37	3.33	1.13	2.01
82	2.16	2.32	1.56	3.00
84	1.13	1.45	2.53	4.13
86	0.37	1.07	4.13	5.39
88	0.18	0.45	5.58	7.13
90	0.08	0.27	7.48	8.59
92	0.03	0.16	9.43	10.48

Estimated volume total, Calls 147 Puts 171
Previous day's open int: Calls 718 Puts 541

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Sept.	Calls—Last Oct.	Puts—Last Sept.	Puts—Last Oct.
22750	3.78	9.84	1.38	2.34
23000	2.35	8.16	2.45	3.16
23250	1.33	6.66	3.93	4.16
23500	0.68	5.35	5.78	5.35
23750	0.31	4.22	7.912	6.72
24000	0.13	3.27	10.23	8.279
24250	0.05	2.49	12.66	9.995
24500	0.02	1.86	15.12	11.86

Estimated volume total, Calls 17 Puts 18
Previous day's open int: Calls 490 Puts 288

Company Notice

RIGGS NATIONAL CORPORATION
US$60,000,000
Floating Rate Subordinated Notes 1996

In accordance with the provisions of the notes Notice is Hereby Given that for the period 18 September to 18 December 1987 notes will carry a rate of interest of 7$\frac{13}{16}$ per cent per annum with a coupon amount of US$200.64.

Chemical Bank as Agent

TORAY INDUSTRIES, INC.
(formerly Toyo Rayon Kabushiki Kaisha)

United Kingdom shareholders are advised that copies of the Annual Report for the year ended 31st March, 1987 are now available from:–
S. G. Warburg & Co. Ltd.
Paying Agency, 6th Floor,
1 Finsbury Avenue,
London EC2M 2PA

DIMOSIA EPIHIRISIS ELEKTRISMOU
(Public Power Corporation)
ECU Denominated Floating Rate Notes due 1997

Notice is hereby given that for the interest period commencing on 21st September 1987 the Notes will bear interest at the rate of 7⅝% per annum. The interest payable on 21st December 1987 against Coupon No. 5 will be ECU 19.2743 per ECU 1,000 nominal

Fiscal Agent
ORION ROYAL BANK LTD.

SPANISH
4% EXTERNAL LOAN
(1974 ISSUE)

The coupons due 1st October 1987 may be presented for payment at BANCO EXTERIOR—U.K., 60, London Wall, London EC2P 2JB, between the hours of 10 a.m. and 2 p.m.
London,
18th September, 1987.

CITY OF MONTREAL

3% PERMANENT DEBENTURE STOCK
NOTICE IS HEREBY GIVEN that the Transfer Register will be closed from 12th October to 30th October 1987, both dates inclusive.
THE ROYAL BANK OF SCOTLAND plc
Registrars
Registrar's Department
29 Gresham Street,
London EC2V 7HN

CANADIAN PACIFIC LIMITED

At a meeting of the Board of Directors held today, a quarterly dividend of fifteen cents (15 cents) Canadian per share on the outstanding Ordinary Shares was declared, payable on October 28, 1987 to holders of record at the close of business on September 25, 1987.

By order of the Board
D. J. Deegan
Vice President and Secretary
Montreal, September 14, 1987.

Legal Notice

No.003750 of 1987
In the High Court of Justice
Chancery Division
In the Matter of
JARVIS PORTER GROUP PLC
and
In the Matter of
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was, on the 23rd July 1987, presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above-named Company.

AND NOTICE is further given that the said petition is directed to be heard before the Honourable Mr Justice Peter Gibson at the Royal Courts of Justice, Strand, London, WC2A 2LL on Monday the 5th day of October 1987. Any creditor or Contributory of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Clifford Chance
Blackfriars House
19 New Bridge Street
London EC4V 6BY
Ref: RWC
Solicitors for the above-named Company
Dated this 10th day of August 1987

INSTORE PHARMACY LIMITED (IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at The Griffin, 10 Church Road, Caversham, Reading at 10.30 am on 2nd October 1987 for the purpose of having laid before it a copy of the report prepared by the Administrative Receiver under section 48 of the said Act and, if thought fit, appointing a committee.

Creditors are only entitled to vote if:
(a) they have delivered to me at the address shown below, no later than 12.00 hours on 1st October 1987, written details of the debts they claim to be due to them from the company, and their claims have been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with me any proxy which the creditor intends to be used on his behalf.

Signed:
J. M. Iredale,
Administrative Receiver,
Cork Gully,
Phoenix House,
1 Station Hill,
Reading, RG1 1UN.
Dated: 8 September 1987

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	Per line (min. 3 lines) £	Single column cm (min. 3 cms) £
Appointments	12.50	43.00
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Business for Sale/Wanted	12.00	41.00
Personal	9.50	32.00
Motor Cars, Travel	9.50	32.00
Contracts, Tenders	12.00	41.00
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Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

FT 30			FTSE 100			WALL STREET		
Sept	1812/18	+29	Sept	2302/9	+34	Sept	2540/48	+19
Dec	1847/54	+29	Dec	2347/54	+34	Dec	2564/74	+19

$ WORLD VALUE OF THE DOLLAR
BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, September 16, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London,
New York, Tokyo, San Francisco, Los Angeles, Toronto.
24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.14555 SDR1=$US1.29096
As of September 16, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	7$\frac{11}{16}$	8⅛
Sibor:	7⅝	8$\frac{1}{16}$

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Gibraltar	Pound*	1.6458	Papua New Guinea	Kina	0.8865
Albania	Lek	6.1368	Greece	Drachma	138.43	Paraguay	Guarani (o)	320.00
Algeria	Dinar	4.67	Greenland	Danish Krone	6.9775		Guarani (p)	550.00
Andorra	French Franc	6.042	Grenada	E. Caribbean $	2.70		Guarani (d)	838.00
	Spanish Peseta	121.60	Guadaloupe	Franc	6.042	Peru	Inti (o) (n)	15.89
Angola	Kwanza	29.918	Guam	U.S. $	1.00		Inti (f)	37.50
Antigua	E. Caribbean $	2.70	Guatemala	Quetzal (o)	1.00	Philippines	Peso	20.63
Argentina	Austral	2.454		Quetzal (b, f)	2.695	Pitcairn Islands	N.Z. Dollar	1.5664
Aruba	Florin	1.79	Guinea Bissau	Peso	650.00	Poland	Zloty (o)	286.95

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY SEPTEMBER 17 1987					WEDNESDAY SEPTEMBER 16 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (93)	177.98	+0.4	160.26	161.59	2.33	177.28	159.72	160.83	177.98	99.92	79.21
Austria (16)	98.23	+0.0	88.45	92.64	2.23	98.26	88.53	92.53	101.62	85.53	96.01
Belgium (48)	127.73	−0.4	115.01	119.07	3.98	128.30	115.60	119.60	134.89	96.19	91.86
Canada (129)	134.74	−0.2	121.32	128.34	2.32	134.95	121.59	128.79	141.78	100.00	97.47
Denmark (39)	115.80	+0.4	104.27	110.05	2.59	115.30	103.88	109.46	124.83	98.18	97.00
France (121)	114.55	+0.5	103.15	108.80	2.60	113.96	102.68	108.20	121.82	98.39	93.92
West Germany (92)	102.26	+0.2	92.08	96.54	1.96	102.09	91.98	96.36	104.93	84.00	94.20
Hong Kong (45)	143.28	−0.7	129.02	143.56	2.52	144.28	130.00	144.54	147.36	96.89	76.99
Ireland (14)	142.43	+0.2	128.25	135.69	3.30	142.15	128.08	135.57	145.49	99.50	84.94
Italy (76)	86.25	−0.2	77.66	84.45	2.17	86.38	77.83	84.45	112.11	84.22	101.27
Japan (458)	142.45	+0.1	128.27	129.08	0.53	142.35	128.25	129.88	161.28	100.00	94.67
Malaysia (36)	173.66	−0.6	156.37	168.71	2.18	174.76	157.46	169.70	193.64	98.24	89.79
Mexico (14)	378.59	−0.1	340.90	638.49	0.47	378.84	341.33	638.49	422.59	99.72	57.62
Netherland (37)	124.06	−0.6	111.71	115.66	3.88	124.85	112.49	116.39	131.41	99.65	98.46
New Zealand (24)	138.31	+0.4	124.54	115.09	2.59	137.74	124.10	114.72	138.31	83.93	70.09
Norway (24)	181.57	+1.8	163.50	163.77	1.68	178.30	160.65	160.69	181.57	100.00	106.64
Singapore (27)	166.65	−1.0	150.06	160.59	1.52	168.40	151.73	162.35	174.28	99.29	89.27
South Africa (61)	182.23	−0.1	164.09	132.79	3.15	182.46	164.40	132.96	198.09	100.00	103.55
Spain (43)	165.92	+0.8	149.40	152.50	2.59	164.65	148.35	151.34	165.92	100.00	96.49
Sweden (33)	129.12	−0.9	116.27	121.86	1.90	130.33	117.43	123.00	132.10	90.85	97.49
Switzerland (53)	108.31	−0.4	97.53	101.09	1.65	108.75	97.98	101.50	110.00	92.01	93.57
United Kingdom (333)	155.58	+1.1	140.09	140.09	3.21	153.87	138.64	138.64	162.87	99.65	96.07
USA (586)	128.76	+0.0	115.94	128.76	2.85	128.74	116.00	128.74	137.42	100.00	96.48
Europe (929)	127.58	+0.5	114.88	118.00	2.81	126.90	114.33	117.38	128.35	99.78	95.93
Pacific Basin (683)	143.87	+0.1	129.55	130.69	0.68	143.78	129.55	131.44	158.77	100.00	93.47
Euro—Pacific (1612)	137.42	+0.2	123.73	125.61	1.46	137.09	123.52	125.82	143.65	100.00	94.44
North America (715)	129.07	+0.0	116.22	128.76	2.82	129.07	116.29	128.77	137.55	100.00	96.53
Europe Ex. UK (596)	110.19	+0.0	99.23	104.24	2.45	110.15	99.25	104.17	111.97	98.02	95.87
Pacific Ex. Japan (225)	161.49	+0.0	145.41	150.95	2.36	161.53	145.54	150.94	161.53	99.92	78.33
World Ex. US (1816)	137.96	+0.2	124.22	126.09	1.51	137.66	124.03	126.31	143.38	100.00	94.59
World Ex. UK (2069)	132.27	+0.0	119.11	125.97	1.87	132.23	119.14	126.27	138.82	100.00	95.25
World Ex. So. Af. (2341)	134.04	+0.1	120.69	127.20	2.00	133.85	120.59	127.34	139.47	100.00	95.26
World Ex. Japan (1944)	130.50	+0.2	117.51	126.41	2.80	130.27	117.37	126.19	134.03	100.00	95.61
The World Index (2402)	134.35	+0.1	120.97	127.28	2.01	134.16	120.88	127.42	139.73	100.00	95.31

Base values: Dec 31, 1986 = 100

September 16 : Mexican market closed for public holiday.

September 17 : Latest Italian prices were unavailable.

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$460	11	18.50	10	28	—	—	$460.90
GOLD C	$480	73	8	3	20.50	—	—	"
		Sept. 87		Dec. 87		Mar. 88		
SILVER C	$650	9	105	—	—	—	—	$757
SILVER C	$700	7	60	—	—	—	—	"
SILVER C	$750	4	3	12	65	—	—	"
		Sept. 87		Oct. 87		Nov. 87		
$/FI C	FI.195	400	9.20	—	—	—	—	FI.204.05
$/FL C	FI.200	86	4	2	4.60	1	5.20	"
$/FL C	FI.205	215	0.25	73	1.80	100	2.80	"
$/FL C	FI.215	600	0.05	—	—	—	—	"
$/FL P	FI.200	36	0.05	63	1	—	—	"
$/FL P	FI.205	87	1.10	83	2.80	112	4	"
$/FL P	FI.210	52	6	10	6.80	—	—	"
		Dec 87		March 88		June 88		
$/FI C	FI.200	5	5.90	2	6.30	—	—	FI.204.05
$/FI C	FI.205	143	3.10	—	—	1	5.30	"
$/FI C	FI.215	5	1	20	1.70	—	—	"
$/FI C	FI.220	—	—	6	1.20	7	1.90	"
$/FI P	FI.190	7	0.80	—	—	—	—	"
$/FI P	FI.195	8	1.50	110	3.20	—	—	"
$/FI P	FI.205	20	5.10	—	—	—	—	"
$/FI P	FI.210	50	8.50	—	—	—	—	"
		Oct. 87		Jan. 88		Apr. 88		
ABN C	FI.50	507	0.50	375	2.30	133	3.90	FI.47.20
ABN P	FI.48	468	1.40	168	2.70	3	3	"
AEGON C	FL.100	605	0.40A	1	2	—	—	FI.86.60
AEGON P	FI.85	35	1.90	25	3.80	82	5.50	"
AHOLD C	FI.105	54	3.50	132	6.20	—	—	FL.104
AHOLD P	FI.110	119	6.70	—	—	—	—	"
AKZO C	FI.180	1325	4.40	443	10.50	24	14.60	FL.176
AKZO P	FI.170	450	3.10	113	7.20	85	9	"
AMEV C	FI.70	74	0.40	86	1.20	2	2.50	FI.59
AMEV P	FL.60	182	2	178	4.20	34	5.80	"
AMRO C	FI.85	297	1.60	35	4.60	4	6.50	FI.83.70
AMRO P	FI.85	45	2.70	34	4.20	—	—	"
ELSEVIER C	FI.70	412	1	299	3	33	4.20	FL.61
ELSEVIER P	FI.50	461	0.10	6	1.10	—	—	"
GIST-BROC.C	FI.50	315	0.70	121	2.80	57	3.60	FI.46.60
GIST-BROC. P	FL.45	175	0.80	18	2.30A	50	3.40	"
HEINEKEN C	FI.180	42	2.80	103	8.50	5	12	FL.172.50
HOOGOVENS C	*FL.50*	54	1.10	10	3.50	—	—	FL.47.40
HOOGOVENS P	FL.45	123	0.60	4	2.80	111	3.50	"
KLM C	FL.55	371	0.90	89	3	10	4.60	FL.51.80
KLM P	FI.50	54	0.80	44	2.50A	15	3.50	"
NEDLLOYD C	*FI.190*	187	7.50	14	17.50	—	—	*FI.187*
NEDLLOYD P	FI.190	84	8.50	9	15.50	—	—	"
NAT.NED. C	FI.80	145	0.60	59	2.70	10	4.70A	FL.73.90
NAT NED P	FI.80	142	6	—	—	5	7.30	"
PHILIPS C	*FI.55*	466	0.60	197	2.10	158	3.30A	*FI.51.30*
PHILIPS P	FI.55	366	4.20	135	5.40B	14	6.40B	"
ROYAL DUTCH C	FI.270	396	12.50	49	15	—	—	F.259.50
ROBECO C	FI.115	—	—	8	2.40	—	—	FI.109.10
UNILEVER C	FL.140	315	5	165	10.40	6	13.90	FL140

TOTAL VOLUME IN CONTRACTS: 41,420

A=Ask B=Bid C=Call P=Put

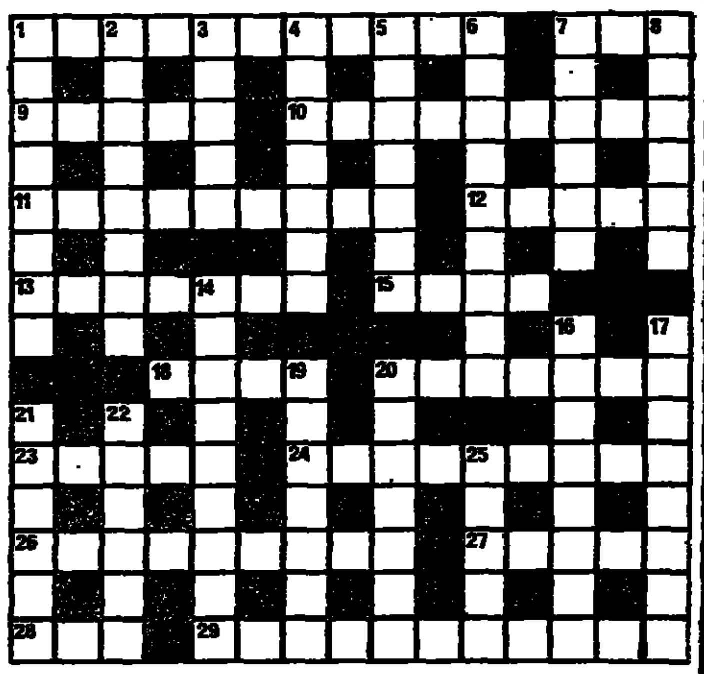
BASE LENDING RATES

	%		%		%
ABN Bank	10	● *Charterhouse Bank*	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	*10*	*Clydesdale Bank*	*10*	*Norwich Gen. Trust*	*10*
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	*R. Raphael & Sons*	*10*
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'r'l Tst.C'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williamson Secs	10
Banco de Bilbao	10	Financial & Gen. Sec	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	*UDT Mortgage Exp.*	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	*10*	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank. Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	*10*	● *Hambros Bank*	*10*	*Yorkshire Bank*	*10*
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	*10*	*C. Hoare & Co*	*10*		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	*Meghraj & Sons Ltd*	10		
Cl. Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

● *Members of the Accepting Houses Committee.* ★ 7-day deposits 5%. Sarewise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 10.5%.

FT CROSSWORD PUZZLE No. 6,433

CINEPHILE



The shorter across solutions are not clued: they follow a similarly repetitive pattern.

ACROSS

1 Possibly a senior, but d—— junior! (11)
7 (3)
9 (5)
10 Proceeding by part of main road without turning (1, 4, 4)
11 Bird call before match for drinks (9)
12 (5)
13 Drunkard gets a drink around liner (P & O) (7)
15 (4)
18 (4)
20 Explosive firm gets tired out (7)
23 (5)
24 Seasonal sucker for all if poor? (5, 4)
26 Chess player at cape finds cattle (5-4)
27 (5)
28 (3)
29 Old-fashioned intimate of California and other countries (5-6)

DOWN

1 Dearth of craggy rocks over big town? (8)
2 Reserve suit containing volumes (8)
3 Ethical Tory? (5)
4 Pound, for example: one for wise men and holy one (7)
5 Causes excitement among the viviparous especially (7)
6 High route used for the working day? (5-4)
7 Language of 1, 2, 3, etc. (6)
8 Scattered as seed in Macedonia (6)
14 Aphetic prefix? 'tis, for example, turning 252 port (9)
16 Energetic Russian prince among French solvers? (8)
17 Sheets, etc., for inn—be led astray (3-5)
19 Continue too long with old copper dish (4, 3)
20 Angle about zero with a court (7)
21 Right in space, maybe, over three light years (6)
22 Pearl ottoman conceals cricket writer (6)
25 Pearl ottoman conceals children's game (5)

Solution to Puzzle No. 6,432

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2860

American Growth	111.4	118.6	-1.5	0.98
(Accum Units)	116.8	123.5	-1.6	0.98
American Income	51.0	53.9	-0.5	3.56
(Accum Units)	55.5	58.7	-0.2	3.56
American Sm Cos Fd	50.4	53.3	-0.6	0.48
(Accum Units)	50.6	53.5	-0.6	0.48
British Blue Chip Fund	51.9	54.9xd	+0.6	2.35
(Accum Units)	52.8	55.8xd	+0.5	2.35
European Growth	160.5	169.8xd	-0.1	0.35
(Accum Units)	167.6	177.3xd	-0.1	0.35
European Income	85.9	90.8	-0.3	3.30
(Accum Units)	90.2	95.4	-0.3	3.30
Eastern	355.2	364.3	-3.7	2.34
(Accum Units)	365.0	377.4	-4.6	2.34
General	384.0	406.3xd	+2.7	1.26
(Accum Units)	647.8	679.1xd	+2.8	1.26
Gilt	87.0	87.8	+0.1	7.40
(Accum Units)	105.4	108.9	+0.1	7.40
Global Fund	52.7	55.7	+0.3	0.46
(Accum Units)	52.7	55.7	+0.3	0.46
High Income Fund	54.2	57.3xd	+0.1	4.67
(Accum Units)	55.8	58.3xd	+0.2	4.67
High Interest Fund	42.0	44.4xd	+0.1	10.12
(Accum Units)	43.3	45.8xd	+0.2	10.12
Income	128.2	135.6xd	+1.5	2.87
(Accum Units)	147.9	156.5xd	+1.6	2.87
International	306.9	324.7	-1.8	1.29
(Accum Units)	384.0	406.3	-2.2	1.29
Japan	225.6	237.8	-0.6	0.45
(Accum Units)	221.4	225.2	-0.6	0.45
Pacific Fund	61.3	64.8	-0.7	0.10
(Accum Units)	61.3	64.8	-0.7	0.10
Recovery	326.5	346.4	+2.0	1.83
(Accum Units)	354.9	375.5	+2.1	1.83
UK Smaller Co's Fund	56.7	59.9xd	+0.4	1.67
(Accum Units)	57.1	60.4xd	+0.5	1.67

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Sept 8	629.5	657.9	—	1.07

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	64.7	68.8xd	—	4.56
Accum Units	65.4	69.5xd	-0.1	4.52
UK Growth Fund Acc	63.2	67.2	+0.5	1.49
Global Income Fund	49.8	52.9	+0.3	3.78
Accum Units	49.8	52.9	+0.3	3.78
Global Growth Fund	50.4	53.6	-0.4	0.47

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6AA. 01-588 3963

PM Equity Growth	122.5	130.4	+1.5	0.99
PM Income and Growth	105.5	112.5xd	+0.9	2.95
PM N American Growth	57.6	61.2	-1.4	0.34
PM European Growth	52.8	56.1	-0.3	0.55
PM Japan Growth	70.4	74.8	-0.8	0.96
PM Overseas Growth	56.5	60.1	-1.0	0.43

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst.	83.4	88.2xd	+0.1	0.55
Holborn Equity Income	74.0	78.7xd	—	3.27
Holborn Equity Tst.	603.1	638.7	+5.2	2.12
Holborn European Tst.	127.4	134.8	-0.1	0.62
Holborn Gilt Tst.	207.1	216.1	+0.8	2.20
Holborn High Inc Tst.	89.9	95.1xd	+0.5	4.54
Holborn Intl Grth Tst.	125.3	132.3	-0.5	0.86
Holborn Intl Sm Cos	—	50.0	—	0.65
Holborn Japanese Tst.	136.6	144.5xd	-0.8	0.06
Holborn N. Amer. Tst.	96.3	100.8	-0.4	0.48
Holborn Sm Cos Tst.	81.7	86.4	+0.4	1.35
Holborn Spec Sits Tst.	108.5	114.8	+1.2	1.27
Holborn UK Growth Tst.	119.7	126.6xd	+1.7	2.48

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd.	670.8	709.8	—	1.38
Quadrant Income	354.9	373.8	—	3.77
Quadrant Intl. Fund	457.6	484.5	—	1.05
Quadrant Spec. Sits.	461.5	488.4	—	1.35

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	248.0	263.7	+0.8	2.29
Reliance Unit Tst (Inc)	173.8	184.8	+0.7	1.43
Reliance Ut Tst (Acc)	232.9	248.7	+1.0	1.43

Rosebury Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2090

Internat. Growth Trust	51.1	53.8	-0.4	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

NC America (Inc)	328.9	349.8	-2.0	0.68
NC America (Acc)	362.8	385.9	-2.3	0.68
NC Inc Fd.	129.7	137.9	+1.6	2.92
NC Japan Fd.	215.9	229.6	+0.2	0.00

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt-Edged Inst.	225.2			—
Do Accum	277.3			—
Guaranteed Inst	159.0			—
Do Accum	195.8			—
International Inst.	512.3			—
Do Accum	630.4			—
Index Lk. Gilt Inst.	135.3			—
Do. Accum	166.5			—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	320.0	+0.1	—
Property Pens.	429.8	+0.3	—
Equity	198.2	+0.7	—
Equity Pens.	899.1	+5.0	—
Money Market	294.6	-0.8	—
Money Mkt. Pens.	530.6	-1.4	—
Deposit	239.1	+0.0	—
Deposit Pens.	382.6	+0.1	—
Managed	298.5	+0.5	—
Managed Pens.	577.1	+1.3	—
Intl. Equity	357.4	-0.8	—
Do. Pens.	582.2	-1.8	—
Intl. Managed	327.2	-0.4	—
Do. Pens.	489.0	-0.8	—
North American	133.1	-1.0	—
Do. Pens.	153.0	-1.6	—
Far East	298.7	-0.3	—
Do. Pens.	442.7	-0.7	—
Intl. Currency	168.5	+0.1	—
Do. Pens.	217.0	+0.1	—
Index Linked	128.5	+0.3	—
S & C Managed Fd	159.7	-0.4	—
S & C Pens Mngd Fd	113.9	-0.4	—
Bell Chambers	130.0	+0.0	—
Loran & Loran	118.3	+0.1	—
Trustlink Life Funds			
Per Worldwide Rec.	172.0	-0.4	—
Per Far East Growth	225.8	+0.7	—
Per Intl Growth	165.4	-0.7	—
Per Income	178.5	+0.0	—

[illegible]

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds				
Managed Fund	57.6	60.7	+0.2	—
Stock Market Mngd Fund	59.4	62.6	+0.2	—
Equity Fund	64.5	67.9	+0.5	—
International Fund	55.5	58.5	-0.3	—
European Fund	59.8	63.0	+0.1	—
North American Fund	50.7	53.4	-0.1	—
Pacific Fund	64.1	67.5	-0.3	—
Property Fund	52.2	55.0	—	—
Fixed Interest Fund	48.1	50.7	+0.2	—
Index Linked Sec Fund	45.6	48.0	+0.1	—
Deposit Fund	51.3	54.0	—	—
NUAM Retirement Plans				
Mixed Fund	61.6	64.9	—	—
UK Ordinary Share	74.0	77.9	+0.4	—
International Fund	57.2	60.3	-0.5	—
Property Fund	52.2	55.0	—	—
Fixed Interest Fund	49.5	52.2	—	—
Index Linked Sec Fund	45.9	48.4	+0.1	—
Deposit Fund	53.4	56.3	—	—
NUAM (MF)				
Managed Fund	791.7	833.4	+2.7	—
Equity Fund	1721.4	1812.0	+14.6	—
Property Fund	324.6	341.5	—	—
Fixed Interest Fund	354.6	373.5	+2.0	—
Deposit Fund	209.2	220.3	—	—
International Fund	144.8	151.6	-0.9	—
Index Linked Sec Fund	45.6	48.0	+0.1	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Fundsmaster & Unit-Linked Plan				
Fixed Interest Fund	248.0	261.0	—	—
Index-Linked Sec Fund	129.7	136.5	—	—
Ordinary Share Fund	534.3	562.4	—	—
International Fund	148.1	155.8	—	—
Property Fund	162.8	171.3	—	—
Deposit Fund	167.4	176.2	—	—
Mixed Fund	343.0	361.0	—	—
Norwich Units Sep 15		1018.4		

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101⅞	100⅛	Treas. 12pc 1987	100⅛	—	11.98	9.90
99⅝	97⅞	Treas 7¾pc 1985-88‡‡	99⅛	+⅛	7.80	9.28
102¾	99⅝	Exch 10½pc '88	100⅛	—	10.49	10.25
101⅞	98⅜	Treas 9½pc Cv '88	97⅞	+⅛	9.79	10.21
97⅛	93⅛	Transport 3pc '78-88	96⅜	+⅛	3.10	10.90
103⅛	98⅛	Treas. 9½pc '88	99⅛	+⅛	9.59	10.18
106⅝	101⅛	Treas 11½pc 1989	100⅞	+⅛	11.32	10.21
102⅛	97⅞	Treas 9½pc Cnv 1989	99⅛	+⅛	9.59	10.18
94⅝	89⅝	Treas 3pc 1989	93⅛	+⅛	3.22	7.52
104⅛	99⅝	Treas 10½pc 1989	100⅜	+⅛	10.46	10.20
105⅛	98⅛	Exch 10pc 1989	99⅞	+⅛	10.03	10.17
105⅞	100⅛	Exch 11pc 1989	101⅛	+⅛	10.85	10.22
95⅞	89⅛	Treas 5pc 1986-89	93⅛	+⅛	5.37	8.68
104⅛	99⅝	Exch 10¼pc Cv '89	100⅛	+⅛	10.15	9.69
111⅛	105	Treas 13pc 1990‡‡	105⅞	+⅛	12.32	10.23
106⅛	100⅝	Exch 11pc 1990‡‡	101⅞	+⅛	10.84	10.27
110⅛	104⅛	Exch. 12½pc 1990	105⅛	+⅛	11.94	10.33
91⅝	84⅛	Treas. 3pc 1990	88⅜	+⅛	3.40	7.96
100⅛	93⅞	Treas 8¼pc 1987-90‡‡	95⅞	+⅛	8.64	10.15
105	97⅛	Treas. 10pc Cv 1990	97⅞	+⅛	10.10	10.38
89⅞	81⅞	Exch 2½pc 1990	86⅛	+⅛	2.91	7.52
110⅛	102⅛	Treas 11¾pc 1991	104⅛	+⅛	11.33	10.36
95⅞	87⅛	Funding 5¾pc '87-91‡‡	89⅞	+⅛	6.43	9.31
89⅛	80⅛	Treas. 3pc 1991	84⅛	+⅛	3.55	7.99
110⅛	99	Treas 10pc Cv '91 ‡‡	100⅛	+⅛	10.02	10.04
109⅛	101⅛	Exch. 11pc 1991	102⅛	+⅛	10.78	10.37
96⅛	91⅛	Treas. 8pc 1991a	92⅛	+⅛		
116⅛	107⅛	Treas 12¾pc 1992‡‡	108⅛	+⅛	11.79	10.33
106⅛	97⅞	Treas 10pc 1992	99⅛	+⅛	10.11	10.29
99⅛	90⅞	Treas. 8pc 1992 ‡‡	92⅛	+⅛	8.70	10.25
108⅞	99⅛	Treas 10½pc Cv 1992‡‡	101⅛	+⅛	10.45	10.35
85⅛	79⅛	Treas. 3pc 1992	80	+⅛	3.74	8.03
115⅞	106⅛	Exch. 12¼pc '92	107⅛	+⅛	11.45	10.39

Five to Fifteen Years

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
121⅛	110⅞	Exch 13½pc 1992	112⅛	+⅛	12.08	10.42
107⅛	97⅞	Treas 10pc 1993‡‡	99⅛	+⅛	10.15	10.35
118⅛	108⅛	Treas 12½pc 1993‡‡	109⅞	+⅛	11.49	10.43
95⅞	82⅛	Funding 6pc 1993‡‡	86⅞	+⅛	6.91	8.86
125⅛	113⅞	Treas 13¾pc 1993‡‡	115⅛	+⅛	11.96	10.37
129⅞	118⅛	Treas 14½pc 1994‡‡	119⅞	+⅛	12.15	10.31
124⅞	113⅛	Exch 13½pc 1994	114⅛	+⅛	11.81	10.43

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	1987 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30$\frac{11}{16}$	22$\frac{7}{8}$	Sara Lee $1	26$\frac{13}{16}$	–2$\frac{1}{16}$	$1.00	—	2.3
31$\frac{1}{16}$	8$\frac{7}{8}$	Saul (B. F.) $1	31$\frac{1}{4}$	–$\frac{1}{16}$	25c	—	1.1
26$\frac{1}{2}$	19$\frac{7}{8}$	Southwestern Bell $1	23$\frac{7}{8}$	.....	h$2.32	—	6.0
19	14$\frac{1}{4}$	Staley Continental	18$\frac{1}{4}$	+$\frac{1}{8}$	80c	—	2.7
44$\frac{3}{16}$	35	Sun Co. Inc. $1	35	.....	$3.00	—	5.3
42$\frac{1}{4}$	28$\frac{1}{2}$	TRW Inc. $0.625	39$\frac{1}{16}$	–$\frac{1}{16}$	h$1.60	—	—
34$\frac{7}{8}$	25$\frac{3}{4}$	Tenneco $5	32	–$\frac{1}{4}$	$3.04	—	5.8
202$\frac{1}{2}$	149$\frac{1}{2}$	Do. 10pc Ln.Stk. 91-5	202$\frac{1}{2}$	.....	10%	—	5.0
29$\frac{3}{4}$	17$\frac{3}{16}$	Texaco $6.25	24$\frac{1}{4}$	+$\frac{3}{16}$	$3.00	—	7.5
74$\frac{3}{16}$	47$\frac{1}{4}$	Time Inc. $1	64$\frac{3}{4}$	+$\frac{1}{4}$	$1.00	—	1.0
19$\frac{1}{2}$	11	Tracor $0.33	19$\frac{1}{2}$	.....	40c	—	1.3
30$\frac{1}{4}$	18$\frac{3}{4}$	Transamerica $1	25$\frac{7}{8}$	–$\frac{3}{8}$	$1.76	—	4.2
14$\frac{1}{4}$	922p	Transworld Corp $5	12$\frac{1}{4}$	+$\frac{1}{8}$	20c	—	1.0
24$\frac{1}{2}$	14$\frac{7}{8}$	TRINOVA Corp.	22$\frac{1}{4}$	–$\frac{1}{4}$	h$1.00		2.7
24$\frac{7}{16}$	15$\frac{1}{16}$	USX $1	21$\frac{3}{16}$	+$\frac{3}{16}$	$1.20	—	3.5
19$\frac{1}{4}$	15$\frac{1}{16}$	Union Carbide $1	16$\frac{7}{8}$	.....	$1.50	—	5.4
37$\frac{1}{4}$	26$\frac{7}{8}$	Utd. Technologies	32$\frac{7}{8}$	–$\frac{1}{8}$	$1.40	—	2.6
38$\frac{1}{2}$	27	US West	33$\frac{1}{4}$	–$\frac{1}{4}$	$3.28	—	6.0
30$\frac{1}{2}$	17$\frac{1}{4}$	Waste Management $1	27	–$\frac{1}{4}$	—	—	—
£31$\frac{1}{4}$	£20$\frac{1}{2}$	Whirpool $1.0	£23$\frac{1}{4}$	–$\frac{1}{4}$	—	—	—
37$\frac{1}{4}$	26	Woolworth 3\frac{1}{2}$	30$\frac{1}{2}$	–$\frac{3}{16}$	$1.32	—	2.7

CANADIANS

1987 High	1987 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
691p	363p	ABM Gold Corp	364p	+1	—	—	—
21$\frac{1}{2}$p	10p	Abbot Energy Corp	20$\frac{1}{2}$p	.....	—	—	—
17$\frac{1}{4}$	506p	Amer. Barrick Res.	17	–$\frac{1}{4}$	—	—	—
		Amer. Dafeco					
		American Lightwave					
122p	52p	Armeno	81p	–7	—	—	—
		Augustito Expls.					
19$\frac{1}{2}$	14$\frac{1}{2}$	Bk. Montreal	14$\frac{7}{8}$	+$\frac{1}{8}$	$2.00	—	6.2
10$\frac{1}{2}$	745p	Bk. Nova Scot.	788p	–4	72c	—	4.2
20$\frac{1}{2}$	18	BCE	18	–$\frac{1}{4}$	$2.40	—	6.1
10$\frac{1}{4}$	712p	Bow Valley	844p	+2	40c	—	—
20	[illegible]	[illegible]	18	–$\frac{1}{8}$	88c	—	2.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	1987 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
412	305	PWS Holdings 10p	374	.....	†q9.25	2.9	3.4	14.0
438	316	Pearl Group 5p	430xd	+1	†10.5	—	3.3	—
£11¾	804	Prudential	£10¼	+¼	†29.0	—	3.9	—
580	433	Refuge 5p	565xd	+2	15.75	—	3.8	—
589	423	Royal	575	+10	†h15.5	—	3.7	—
103	93	Sabre Ins. Invs.	100	+5	—	—	—	—
*345	274	Sedgwick Group 10p	297xd	+5	12.0	1.7	5.5	12.7
399	207	Steel Burrill J.10p	240xd	–1	19.0	2.0	5.1	13.4
668	405	Stewart Wr. 20p	548	–7	φ13.0	2.0	3.2	19.5
612	377	Sturge Hldgs 20p	520	.....	†16.0	2.5	1.6	34.1
£11¾	685	Sun Alliance	£11½	+¼	†23.5	—	2.9	—
£12¾	929	Sun Life 5p	£12¾	+½	†28.5	—	3.2	—
£69½	£39	♦Taisho M. EDR	£46	–½	ФQ10%	—	0.9	—
£22¾	£14¾	Torchmark $1.00	£18¾	+½	Q$1.00	—	3.2	—
380	235	Trade Indemnity	380	.....	14.3	—	1.6	—
£34	£24⅞	Travelers $1.25	£26½	–½	$2.28	—	5.2	—
£30¾	£22¾	USF & G Corp $2.50	£25¼	.....	Q$2.48	—	6.0	—
£33¾	£20⅞	USLIFE Corp. $1.0	£25⅞	–¼	Q$1.20	3.2	3.1	5.2
728	555	♦Utd Friendly B 10p	725	.....	21.0	—	4.0	—
464	356	Willis Faber 12½p	368	–1	†10.75	2.4	4.0	13.9
128	41	Windsor Secs. 10p	118	.....	†0.7	1.5	0.8	—

LEISURE

1987 High	1987 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
38½	11½	♦A & M Group 10p	25	+½	—	—	—	♦
242	181	Airsport 20p	190	+2	R5.4	2.5	4.0	13.8
*549	302	Anglia TV	491	–2	†p11.25	3.3	3.1	13.6
194	108	♦Aspinall Hldgs. 10p	178	–7	†6.0	1.2	4.6	24.4
141	63	♦Avesco 2p	111	+1	0.5	6.7	0.6	31.4
65	40	♦BCE Hldgs 5p	30½	–½	L69.0	♦	2.7	♦
298	132	Barr & W.A.T. 'A'	280xd	.....	18.0	1.4	3.9	22.8
58	19	Bond Media	47	.....	—	—	—	—
235	165	Boosey & Hawkes	230	.....	—	—	—	—
89	45	♦Border T.V.	68xd	+4	1.4	♦	3.2	♦
*439	43½	Brent Walker 10p	364	+6	φ8.5	2.2	3.8	17.6
*292	110	Campari Int. 20p	266xd	.....	†3.0	5.1	1.5	13.6
306	211	Castle Comm. 5p	271	–2	R7.0	2.2	3.6	27.3

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

TRADITIONAL OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Aug 24	Sept 10	Sept 11	Sept 21
Sept 14	Sept 24	Sept 25	Oct 5
Sept 28	Oct 8	Oct 9	Oct 19

* New time dealings may take place from 9.00 am two business days earlier.

Response to positive economic signals brings largest rise in equities for five weeks

Further positive signals on the economy were the trigger for instiutional investors yesterday. A second-quarter adjusted current account deficit of only £174m, owing to a large invisibles surplus, tipped the scales after Wednesday's buoyant industrial production figures and brought a ready response.

Fund managers altered their investment decisions from neutral to bullish and a leading institution commented "with good news now appearing all over the front window, you simply cannot afford not to be invested." The equity market's resilience this week to adverse Wall Street and Tokyo influences was another encouraging development, said larger investors.

Alpha and other top-quality stocks were the main targets for the inflow of funds and the FT-SE 100 share index pierced 2300 for the first time since August 5. Many chartists consider this an important landmark, forecasting that a consolidation above the level will lead to an autumn upsurge in values.

Other economic pointers released yesterday included average earnings and unit wage costs for July, both of which were consistent with accelerating growth.

With the US market trying early yesterday to regain some of the ground lost recently, leading shares in London showed little sign of reacting. The "footsie" index closed up 24.7, its best gain since August 11, at 2304.5.

Activity was spread evenly between the industrial sectors, while Merchant Banks consumed the business in the financial area. Marketmakers were of the opinion that it was a question of when, not if, the next bid arrives; the battle for control of Guinness Peat intensified yesterday when publisher Robert Maxwell disclosed an increased share stake.

Government bonds also responded strongly, but the upturn was described as a steady progressive squeeze on traders' short positions. Evidently many professionals had decided earlier in the week to go short of stock because of the impending monetary statistics, due today, and next week's long bond auction. Subsequent events have forced covering of these commitments, leading to a technical shortage of stock.

Domestic retail buying of longer-dated Gilts has exacerbated this situation, and selected issues replied yesterday, bounding ahead by 1½ points. Medium-life stock rose nearly a point and the shorts also moved up strongly following exhaustion of the long-standing tap, Treasury 8 per cent 1991, at 93. To satisfy a specialist demand, the authorities re-activated Treasury 3 per cent 1992 and withdrew.

Guinness were actively traded following the first-half figures and confirmation of the acquisition of Schenley Industries, the US drnks distributor, n a deal worth $480m (£293m).

Guinness dipped sharply to 358p in immediate reaction to disappointing interim profits of £151m—well below even the most cautious estimates—and thoughts that Schenley owner Mr Meshulam Riklis might now unload his 30m shares in Guinness on a rather unwilling market. However, the price rallied to settled only 8 lower on balance at 367p with dealers somewhat heartened by talk that the shares would be disposed of in an "orderly" fashion. Analysts regard the price paid for Schenley as fair—Wood Mackenzie, for example, were quick to reiterate their "strong buy" advice for Guinness.

Domesic and US investors showed renew enthusiasm for Glaxo, which moved up ⅜ to £17⅝. Mochida of Japan has granted the group a licence to develop, manufacture and market an injectable cephalosporin antibiotc, code-named M 14659 and now in the early preclinical stages, in all countries except Japan.

Clearing banks were showing modest falls during the day but picked up strongly towards the close with Midland finally 9 firmer at 518p amid talk of yet another stake building exercise and the possibility of a full-scale bid for the bank. NatWest were equally in demand and improved 7 to 717p. Barclays edged up 5 to 583p but Lloyds held around the 340p level.

Profit-taking lowered TSB, finally 2½ off at 143p but Standard Chartered eased 3 to 820p on profit-taking following press suggestions that the bank is negotiating the sale of Union Bancorp, its Californian subsidiary.

Merchant banks remained very much in the limelight as the Saatchi brothers' intention of moving into financial services and the bid for Guinness Peat triggered another bout of takeover speculation. Turnover in Guinness Peat expanded dramatically to 18m shares as an early foray into the market by Robert Maxwell lifted his stake in GP to 6.38 per cent or 20.1m shares. Guinness Peat shares closed a penny up at 120p.

Hill Samuel, where bid speculation built up significantly, spurted 7 to 664p. Kleinwort Benson, due to announce interim figures on Monday touched 542p, prior to closing a net 3 higher at 529p. Bid speculation, triggered by the bid battle for Equity and Law launched by Ron Brierley and followed up by Compagnie du Midi of France, prompted another wave of speculative support for insurances. Abbey raced up 6 to 322p, Legal & General, helped by favourable press comment, gained 8 to 335p and Sun Life moved up ??.

FINANCIAL TIMES STOCK INDICES

	Sep. 17	Sep. 16	Sep. 15	Sep. 14	Sep. 11	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	85.92	85.33	85.45	85.47	85.43	84.12	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.72	91.63	91.60	90.89	90.92	91.88	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1812.0	1790.2	1775.4	1775.4	1763.8	1279.6	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	442.7	447.2	445.8	449.5	453.0	317.2	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.24	3.27	3.29	3.30	3.33	4.33				
Earnings Yld.%(full)	7.93	8.01	8.07	8.07	8.14	9.97				
P/E Ratio (net) (*)	15.43	15.27	15.17	15.16	15.04	12.30				
SEAQ Bargains (5 pm)	36,407	31,098	31,573	39,878	47,765	—				
Equity Turnover (£m)	—	1584.36	1296.23	1376.34	1247.38	560.96				
Equity Bargains	—	35,816	40,718	52,149	49,337	16,746				
Shares Traded (ml)	—	495.9	520.4	527.6	626.7	228.3				

S.E. ACTIVITY

Indices	Sep. 16	Sep. 15
Gilt Edged Bargains	97.4	95.1
Equity Bargains	232.1	263.8
Equity Value	3202.4	2620.0
5-Day Average		
Gilt Edged Bargains	97.2	99.9
Equity Bargains	281.1	280.3
Equity Value	2768.7	2547.6

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1798.8	1806.3	1808.5	1808.7	1807.7	1804.7	1806.4	1809.6

Day's High 1812.3 Day's Low 1798.8. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, * Nil=15.18.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Commercial Union jumped 3½ to 392p on talk of an imminent bid from the Continent. Royals, boosted by the "down under" stake, were 5 higher at 570p.

Guinness aside, attention in Breweries centred on Buckleys which spurted to 220p before settling 20 dearer on balance at 205p following the surprise revised offer of 192p cash per share from Peter Clowes and Guy Cramer which has won the recommendation of the previously hostile Buckleys board.

Buildings presented a firm appearance as institutional buyers re-emerged pending news of some important trading statements. RMC, half-year figures due on September 24, revived strongly with a gain of 12 at 471p, while Tarmac, interim results expected next Monday, firmed 8 to 305p. Barratt Developments, also reporting soon, gained 15 to 232p, while George Wimpey, boosted by a broker's recommendation, firmed 8½ to 277p. Redland attracted support following a launch with institutions and rose 12½ to 503p; the company, after announcing its intention last week to become a major player in the plasterboard industry, yesterday agreed to take a 45 per cent stake in Norgips, a privately-owned Norwegian company with manufacturing facilities in Norway and the Netherlands. CSR, Redland's joint venture partner in its move into worldwide plasterboard, will participate in the acquisition. Elsewhere, Blockleys advanced 25 to 525p in belated response to increased half-year profits, but McLaughlin and Harvey encountered profit-taking in the wake of the recent figures and slipped 13 to 280p.

Interim profits in line with estimates—described as pleasing by certain market sources—failed to inspire Laporte which settled a shade cheaper at 537p. Among other Chemicals, Foseco attracted support following a broker's bullish circular and rose 8 to 309p; the interim results are due at the end of the month. Thurgar Bardex revived with a gain of 7 at 110p, but Wolstenholme Rink shed 5 to 400p following the interim statement.

Turnover in electricals and electronics was much reduced. Plessey, where the number of shares changing hands was only 10m compared with the previous day's 32m, edged up a shade to 200½p, with traders questioning the wild rumours that did the rounds on Wednesday. Thorn EMI jumped 12 to 672p reflecting talk of a major re-rating of the shares after the deal with Granada.

GKN shares raced up 13 to 396p on talk that a bid for Amari could be on the cards. APV Baker provided one of the day's outstanding features and leapt 36 to 832p following the interim figures which showed interim pre-tax profits of £16.2m well in excess of the most optimistic figures which had ranged up to around £14m. Garton Engineering's interim figures were given a resounding welcome and the shares surged ahead to close 18 firmer at 176p.

Food Retailers, although little changed on balance, attracted sharply increased turnover. Tesco, J. Sainsbury and ASDA-MFI all registered volumes of around 5m shares, while Dee Corporation, following the annual meeting, showed volume of nearly 7m shares. Kwik Save, considered cheap in some quarters, firmed 7 to 381p.

Tate and Lyle, boosted afresh by rumours that it sold its stake in S. & W. Berisford, rose 20 more to 898p; Berisford firmed 7 to 365p.

A firm Hotel sector showed Grand Metropolitan 7 up at 568p and Trusthouse Forte 6 higher at 256p. Ladbroke picked up 4 at 454p.

Among the major international stocks, Beecham found support at 559p, up 9, while BAA, a subdued market recently, picked up 4 at 140p. British Airways improved 6 to 205p. Reckitt and Colman contrasted with a fall of ¼ to £10⅞ on disappointment with the interim results; profits came in some £4m below recently-upgraded market estimates.

London International rose 11 to 350p following the annual meeting, while Cowan De Groote gained 15 to 98p on the announcement that a consortium headed by John Carr had acquired a 6 per cent stake in the company at 100p per share. Wills Group jumped 27 to 213p following an offer of 190p per share cash from Australian Investors Corporation, while Hawtal Whiting, in which dealings resumed in the wake of details of an offer from First Security, settled at 503p compared with a suspension price of 435p.

Amari gained 16 to 218p amid vague rumours of a bid from GKN, while William Baird rose 20 to 533p in repl to increased interim profits. Hollis continued to reflect good figures and gained 8 more to 153p.

Casino group Aspinall Holdings settled 7 cheaper at 178p following the recommended share exchange offer, with cash alternative of 173p per share, worth some £90m, from Alfred Walker; the latter closed 23 lower at 375p. Spectrum were a volatile market and dipped to 110p prior to closing 7 cheaper at 121p; the shares have risen sharply recently following news that Mr Neil Scot, former chairman of Owners Abroad, and associates, had acquired a 22 per cent stake. Marina Developments moved up 20 to 620p on talk that a stake is about to change hands.

Increased first-half profits prompted occasional support for Ford main dealer Perry, 5 up at 313p, and relative market newcomer Lancaster, also 5 to the good, at 218p. The sector was again featured, however, by Nissan dealer D. C. Cook which improved another 25 to 260p.

Leading Properties remained subdued. Land Securities edged up to 603p prior to closing unchanged at 600p, while MEPC shed 6 to 560p; the latter announced a $100m US fund raising operation yesterday. British Land, stimulated by the sale of its Gripperrods subsidiary to CH Industrials for £30.3m, firmed 5 to 342p; CH were a penny dearer at 186p. Mucklow, which produced good figures and a confident statement on Wednesday, firmed 6 to 157p, while London and Edinburgh attracted a burst of buying interest and gained 9 to 189p. Helical Bar rose 13 to 295p.

Shippings again provided a couple of outstanding firm features. P & O Deferred advanced 22 to 711p on fresh consideration of the group's extensive property portfolio. Demand for Mersey Docks continued unabated, the combined units rising another 70 to 415p on reflection of the 10 per cent stake taken by Peel Holdings.

Textiles retained a selectively firm appearance. Wednesday's extremely impressive results from Coats Viyella stimulated in Courtaulds, 10 better at 503p and Tootal, 8½ dearer at 158½p. Corah rallied 4 to 103p as the sizable first-half loss—largely attributable to a £1.8m write-off on stock valuation—was alleviated by the maintained dividend; BZW regarded the move as a "positive clearing of the decks" and expect the share price to be bolstered by yield considerations.

Rothmans remained firm and rose 12 more to 438p, although dealers expressed scepticism that Rembrandt, which recently lifted its stake in Rothmans to 43 per cent, would be prepared to launch a full-scale offer for the outstanding equity.

British and Commonwealth rose 10 to 497p awaiting the next development in the Quadrex/Crownx situation. Other money brokers attracted sympathetic support with International City 13 up at 284p, and MAI, scheduled to report preliminary figures on September 28, 19 to the good at 694p.

Oil shares staged a rapid advance after the recent lack of progress. British Gas edged up 3 to 176p, BP jumped 10 to 374p, Britoil a like amount to 321p and Enterprise 13 to 336p.

Speculative buyers were again attempting to nibble at Titaghur Jute, finally 60 up for a two-day advance of 96 to 230p. Elsewhere in Overseas Traders, dealers reported a lively turnover in Harrisons and Crosfild, 7 dearer at 691p, and Inchcape, 14 better at 838p.

The half-year figures and proposed share split from RTZ were given an excellent reception and RTZ shares moved up ⅜ to £13⅝. Consgold, on the other hand, suffered from profit-taking and dipped ⅛ to £14⅝.

TRADED OPTIONS

Lively demand for the underlying equity market stimulated increased activity in traded options. Total contracts struck amounted to 53,306—the highest for over three weeks. BP were particularly active in recording 4,482 calls, 2,223 of which were done in the October 390's; BP also attracted 2,730 puts, the January 360 and 390 series contributing 1,630 and 800 trades respectively. Speculative excitement heightened by stake sale rumours prompted a lively business in Plessey with 3,520 calls and 845 puts done. Marks and Spencer also found favour with 2,186 calls traded, 1,602 in the October 240's.

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (116)

BRITISH FUNDS (1), INT. BANK & O'SEAS GOVT. STLG. ISSUES (1), AMERICANS (1), CANADIANS (1), BANKS (3), BUILDINGS (5), CHEMICALS (2), STORES (3), ELECTRICALS (6), ENGINEERING (6), HOTELS (2), INDUSTRIALS (25), INSURANCE (5), LEISURE (1), MOTORS (2), NEWSPAPERS (2), PAPERS (4), PROPERTY (4), TEXTILES (5), TRUSTS (29), OVERSEAS TRADERS (3), MINES (3), THIRD MARKET (2).

NEW LOWS (4)

LOANS (1), N'wide. Ang 11¾pc 26/10/87, AMERICANS (2), Allegheny & West., Home Grp., TRUSTS (1), Liberty All-Star.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	6,400	205	+3	Ladbroke	274	454	+4
Allied Lyons	4,500	429	+9	Land Securities	886	600	—
Amstrad	2,400	177	+4	Legal & Gen.	5,200	349	+22
Argyll Group	1,500	215	+1	Lloyds Bank	2,000	340	+1
Assoc. Brit. Foods	165	364	—	Lonrho	2,000	311	+2
BAT	2,000	669	—	Lucas	165	765	—
BET	528	268	−2	MEPC	1,600	560	−6
BICC	350	417	+2	Marks & Spencer	3,000	239	+5½
BOC	1,300	546	+2	Midland Bank	3,100	518	+9
BPB Inds	1,600	329	−1	Natwest Bank	1,900	717	+7
BPCC	172	362	—	Next	2,400	357	−1
BTR	2,600	352	—	Pearson	479	792	+3
Barclays	2,500	583	+5	P & O	1,300	711	+22
Bass	882	£10⅛	+⅛	Pilkington Bros	3,500	291	+2
Beecham	3,300	559	+9	Plessey	10,000	200½	+½
Blue Circle	1,300	452	+3	Prudential	688	£10⅝	+⅛
Boots	1,500	318	+1	Racal	2,200	303	+4½
Brit. Airways	9,550	205	+6	Rank Org.	189	699	+2
Brit. Aero	1,800	485	+1	RHM	1,500	343	+9
Brit. & Comm.	1,800	497	+10	Reckitt & Col	690	£10⅞	−¼
British Gas	10,000	176	+3	Redland	2,200	503½	+12½
Britoil	3,600	321	+10	Reed Intl.	1,200	534	+2
BP	9,950	374	+10	Reuters	1,400	907	+13
Brit. Telecom	6,600	260	+½	RMC	989	471	+12
Bunzl	1,200	227	+2	RTZ	2,100	£13⅝	+⅜
Burton	3,900	292	+3	Rolls-Royce	9,400	201½	+3½
Cable & Wire	1,600	443	−1	Rowntree	239	545	—
Cadbury Schwps	2,200	276	+5	Ryl Bank Scotland	1,500	390	−1
Coats Viyella	3,200	386	+13	Royal Insurance	1,300	575	+10
Comm. Union	5,500	406	+17½	STC	2,700	302	+3
Cons. Gold	887	£14⅝	−⅛	Saatchi & Saatchi	1,300	619	+3
Cookson	114	799	+1	Sainsbury	5,400	279	+4
Courtaulds	1,700	503	+10	Scott & Newcastle	389	252	+2
Dee Corpn	6,900	208	−1	Sears	3,200	169½	+1½
Dixons Group	1,400	378	+6	Sedgwick	2,300	297	+5
English China Clays	1,700	529	—	Shell Trans	1,950	£13⅜	+¼
Fisons	1,400	341	+4	Smith & Nephew	3,600	189	+8
Gen. Accident	452	£11¼	+⅜	Standard Chart	162	823	—
Gen. Elect	3,800	214	+3½	Storehouse	4,400	359	+3
Glaxo	2,400	£17⅝	+⅜	Sun Alliance	304	£11⅜	+⅞
Globe Investment	875	181½	+3	TSB	1,700	143½	−2
Granada	920	352	+5	Tarmac	2,300	305	+8
Grand Met	1,900	568	+7	Tesco	5,400	189	+4
GUS "A"	66	£13⅝	+⅛	Thorn EMI	3,600	672	+12
Guardian R.E.	426	£10⅝	+⅜	Trafalgar House	6,100	384	+12
GKN	1,800	396	+13	T'house Forte	3,300	256	+6
Guinness	10,000	367	−8	Ultramar	1,100	277	+1
Hammerson	270	673	—	Unigate	1,800	390	+10
Hanson Trust	1,100	185½	−½	Unilever	903	639	−7
Hawker Sidd	199	576	−1	United Biscuits	1,000	320	+1
Hillsdown Hldgs	3,200	324	+4	Wellcome	2,000	501	+6
ICI	1,200	£15¾	—	Whitbread "A"	660	334	+4
Jaguar	2,000	560	—	Woolworth	1,700	353	−3

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	110	0	2
Corporations, Dominion and Foreign Bonds	20	1	33
Industrials	586	287	713
Financial and Properties	233	99	282
Oils	38	23	53
Plantations	1	6	7
Mines	34	54	102
Others	70	90	64
Totals	1,092	560	1,256

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Thursday September 17 1987

[illegible]

FIXED INTEREST

[illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

[illegible]

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
100	F.P.	—	100p	97	Chesterfield Props 5¾pc Cr. Cnv. Prf.	100p	+½
¶¶	F.P.	—	145p	130p	Merlin Intl. Cum. Red. Cnv. Prf.	138p	−2
—	F.P.	—	100	99	N'wide Anglia 10% Bds 1/8/88	99¾	+¼
[illegible]	F.P.	—	100p	99½	Do. 10.2% Bds. 22/8/88	[illegible]	[illegible]

EQUITIES

[illegible]

"RIGHTS" OFFERS

[illegible]

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −
35	Nil	6/10	7½pm	2½pm	Talbex 5p	½pm	—
65	Nil	30/10	51pm	38pm	Upton (E.)	6½pm	—

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. q Earnings based on preliminary figures. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. I Placing and offer for sale price. * Third Market. †Issued in £2 Units comprising 2 Ord Shares & 1 Warrant. (Exercisable at 50p into 1 Ord.)

WORLD STOCK MARKETS

AUSTRIA

Sep. 17	Price Sch%	+ or −
Creditanstalt	2150	+10
Goesser	3240	+15
Interunfall	12450	+100
Jungbunzlauer	8570	+40
Laenderbank	1960	+50
Perlmooser	705	−10
Steyr-Daimler	123	—
Veitscher Mag	841	−3

BELGIUM/LUXEMBOURG

Sep. 17	Price Frs.	+ or −
B.B.L.	3275	+25
Banque Gen. Du L.	14775	−100
Bank Int. A	14300	—
Bekaert B	11150	−250
Ciment CBR	6190	+10
Cockerill	177	−8
Colruyt	11300	−225
Delhaize	4470	−30
EBES	4755	−45
Fabrique Nat.	1448	−2
GB Inno BM	2376	−4
GBL (Brux) L	4000	−30
Generale Bank	6350	+90
Gevaert	8200	+50
Hoboken	8310	−10
Intercom	3810	+10
Kredietbank	4540	−60
Pan Holdings	13400	—
Petrofina	13000	−150
Raffinerie Tirle	1780	−45
Royale Belge	6010	−80
Soc Gen Belge	3700.00	−40
Sofina	14800	−300
Solvay	14500	—
Stanwick Intl.	550	—
Tractebel	7900	−10
UCB	10650	−50
Wagons Lits	5660	−40

DENMARK

Sep. 17	Price Kr %	+ or −
Baltica Hldgs.	980.00	+35
Cop Handelsbank	247.00	−1
D. Sukkerfab	286.00	+6
Den Danske Bank	342	−3
East Asiatic	202.00	+6
Forenede Brygg	920	−5
GNT Holding	225.00	+6
I.S.S.B. Systems	800.00	—
Jyske Bank	510	—
Novo Inds.*	221.00	−1
Privatbanken	261.00	+1
Sophus Berendsen	990.00	—
Superfos	245.00	+6

FINLAND

Sep. 17	Price Mks	+ or −
Amer	253	+1.5
KOP	60.8	+3
Kone	239.5	+0.5
Finnish Sugar	88.5	+0.65
Kymmene	137	+1
Nokia	240	+1.5
Pohjola 'B'	121.5	+3
Rauma-Repola	33.65	+0.4
Stockmann 'B'	294.5	+2.5
UBF 'C'	35.85	+0.2
Utd. Paper	162.5	+7
Wartsila (s11)	250	+3.5

FRANCE

Sep. 17	Price Frs.	+ or −
Emprunt 4½% '73	1864	−1
Emprunt 7% 1973	9020	+20
Accor	463.00	−1
Agence Havas	547.00	+3
Air Liquide	675	+1
Alcatel	2450	+70
BIC	800	+2
BNP (Cert. Inv.)	468	−3
Bongrain	2945	+45
Bouygues	1198	−1
BSN Gervais	5370	+20
Carrefour	3430	+55
Club Mediterranee	639.00	+4
Cie Bancaire	730	−4
Cofimeg	321.00	—
CGE	336.7	—
Damart	3142	−48
Darty	466.00	+3
Dumez S.A.	1366	−4
Eaux (Cie Gen)	1305	+7
Elf-Aquitaine	358.10	−3.9
Essilor	3940	−30
Gen. Occidentale	1177	+42
Imetal	187.00	−1.5
Lafarge Coppee	1727	+28
L'Oreal	3975	+31
Legrand	3335.00	+115
Maisons Phenix	65.00	+2
Matra S.A.	2100	−29
Michelin B	344	+3
Midi (Cie)	1379	−6
Moet-Hennessy	2915	—
Moulinex	84.00	+1
Nord Est	159.40	—
Paribas	434.50	+0.5
Pernod Ricard	995.00	—
Perrier	883	+20
Petroles Fra	428	—
Peugeot S.A.	1639	+9
Printemps Au	735	+5
Radiotech	1798	+43
Redoute	3405	+65
Roussel-Uclaf	1525	−2
St. Gobain	509.00	—
Sefimeg	429	+4
Skis Rossignol	1231	+30
Telemech Elect	3500	+40
Thompson (CSF)	1361	+23
Valeo	684.00	—

GERMANY

Sep. 17	Price Dm.	+ or −
AEG	340.00	+3
Allianz Vers	2075.00	−20
BASF	337.00	+0.1
Bayer	359.20	−1.5
Bayer-Hypo	515.00	−1
Bayer-Verein	484.00	−4
BHF-Bank	479.00	−1
BMW	741.00	−6
Brown Boveri	363.00	−1.5
Commerzbank	309.50	−1
Cont'l Gummi	342.50	−0.5
Daimler-Benz	1078.00	−10
Degussa	533.50	−5.5
D'sche Babcock	235.00	+0.5
Deutsche Bank	694.50	−2.5
Dresdner Bank	363.00	—
Feldmuehle Nobel	326.00	+4
Henkel	388.50	+0.5
Hochtief	687.00	−3
Hoechst	324.40	−1.6
Hoesch Werke	126.50	−0.7
Holzmann (P)	400.00	−10
Horten	235.00	+0.5
Husel	656.00	−3
Karstadt	579.20	−2.8
Kaufhof	504.50	−2.5
KHD	182.00	−1.5
Kloeckner Werke	143.00	−6.5
Linde	745.00	−10
Lufthansa	177.00	+2
MAN	190.00	−0.2
Mannesmann	176.50	−2
Mercedes Hld.	958.00	—
Metallgesell	370.00	+3
Muench Rueck	2100	+10
Nixdorf	834.00	−2
Porsche	980.50	−12.5
Preussag	202.50	−0.3
Rhein West Elect.	246.50	−2
Rosenthal	298.00	+3
Schering	606.00	−3
Siemens	656.00	−5
Thyssen	135.00	+1.5
Varta	361.00	—
Veba	316.50	−1.3
V.E.W.	166.50	−0.5
Verein-West	462.00	+2
Volkswagen	399.00	+2

ITALY

Sep. 17	Price Lira	+ or −
Banca Com'le	2825	+80
Bastogi-IRBS	415.00	+40
CIR	5040	−25
Credito Italian	1800	+40
Fiat	10450	+70
Generali Assicur	109890	—
Italcementi	108150	+3150
La Rinascente	1050	+34
Montedison	2250	+15
Olivetti	11550	+400
Pirelli Co.	5350	−250
Pirelli Spa	4237	+167
Saipem	3540	—
Snia BPD	3045	+60
Toro Assic.	26800	+1500

NETHERLANDS

Sep. 17	Price Fls.	+ or −
ACF Holding	58.70	−0.5
AEGON	86.60	−1.1
Ahold	104.00	−1.8
AKZO	176.00	−1.5
ABN	47.20	−0.9
AMEV	59.00	−2.4
AMRO	83.70	−0.8
Boskalis-Tat	61.70	−0.2
Dordtsche Pet.	235.20	+1.7
Elsevier	61.00	−0.2
Fokker	57.00	—
Gist Brocades	46.60	−0.9
Heineken	172.50	−1.9
Hoogovens	47.40	−0.9
Hunter Douglas	61.80	+0.4
IHC Caland	24.10	+0.1
Int Mueller	65.50	−2
KLM	51.80	−0.2
KNP	163.00	−3.8
Nat Ned Cert	73.90	−1.5
Ned Mid Bank	164.00	−2
Ned Lloyd	187.00	−0.5
Oce Grinten	430.00	−10
Ommeren (Van)	34.30	−0.2
Pakhoed	85.00	—
Philips	51.30	−0.7
Robeco	109.10	−1
Rodamco	143.00	+0.1
Rolinco	104.20	−1
Rorento	51.70	−0.1
Royal Dutch	259.50	+1.1
Unilever	140.00	−2
VMF Stork	22.90	+0.1
VNU	94.00	−2
Wessanen	87.50	−1.7
Wolters Kluwer	136.50	−0.5

NORWAY

Sep. 17	Price Kroner	+ or −
Aker-Norcem	81	—
Bergen bank	243	+7
Bergesen B	432	+1.5
Christiania Bk	254	+8
Den Norsk Credit	202	+7
Elkem	165	+7
Hafslund	630	—
Kosmos	179	+6
Kvaerner	320	+10
Norsk Data	233	−5.5
Norsk Hydro	254	+3.5
Orkla Borregaard	607	+14
Storebrand	432	+3

SPAIN

Sep. 17	Price Pts. %	+ or −
Alcazar	690.00	—
Banco Bilbao	1921	+17
Banco Central	1090	+6
Banco Exterior	543	+45
Banco Hispano	844	+14
Banco Popular	2080	+1
Banco Santander	1250	+10
Banco de Vizcaya	2071	+1
Banesto	1200	+1
Dragados	800	—
Hidrola	104	−1.5
Iberduero	140.50	−1.5
Petroleos	820	+39
Telefonica	231.20	−0.5

SWEDEN

Sep. 17	Price Kroner	+ or −
AGA (free)	221.00	−1
Alfa-Laval	361.00	—
ASEA (Free)	441.00	−7
Astra B (Free)	259.00	+3
Atlas Copco	195.00	—
Beijer A Fria	233.00	—
Cardo (Free)	328.00	—
Cellulosa	345.00	−1
Electrolux B	327.00	−2
Ericsson	231.00	−1
Esselte	203.00	+1
Mo Och Domsjo	470.00	−8
Pharmacia	232.00	—
Saab-Scania (free)	285.00	—
Sandvik	206.00	−9
Skandia Ins.	202.00	−6
Skanska Intl.	288.00	−2
Skan Enskilda	153.00	−2
SKF	373.00	+1
St. Kopparbergs	412.00	−2
Svka Handelsbn	540.00	—
Swedish Match	114.00	−2
Volvo B (Free)	405.00	−5

SWITZERLAND

Sep. 17	Price Frs.	+ or −
Adia Intl.	12950	−50
Alusuisse	865	−5
Bank Leu	3860	−40
Brown Boveri	2945	−35
Ciba Geigy	4010	−30
do. (PtCts)	2750	−45
Credit Suisse	3390	−10
Elektrowatt	4200	−10
Fischer (Geo.)	1700	+30
Hoff-Roche (Pt Cts)	151500	−375
Hoff-Roche 1/10	15150	−50
Jacobs Suchard	10200	—
Jelmoli	3850	−25
Landis & Gyr	2010	—
Nestle	11000	−50
Oer-Buhrle	1600	−15
Pargesa Hldg	2370	—
Pirelli	450	−1
Sandoz (Br)	15100	+100
Sandoz (PtCts)	2530	+30
Schindler (PtCts)	895	—
Sika	775	—
Surveillance	6875	−75
Swissair	1370	−5
Swiss Bank	498	−2
Swiss Reinsce	17850	+50
Swiss Volksbk	2525	−5
Union Bank	4875	−50
Winterthur	6625	−75
Zurich Ins	7225	+25

AUSTRALIA

Sep. 17	Price Aust$	+ or −
ACI Int.	4.65	+0.05
A.F.P.	4.05	−0.03
Adelaide Steams	11.00	+0.2
Amcor	5.90	+0.04
ANZ Group	5.76	−0.04
Ampol Pet	4.00	−0.1
Ariadne Aust.	2.72	+0.02
Ashton	3.62	−0.03
Aust Guarant	3.75	+0.15
Aust Nat Inds.	2.92	+0.22
Bell Group	10.20	+0.05
Bell Resources	5.44	−0.06
Bond Corp Hldgs	2.73	−0.02
Boral	6.80	+0.12
B'ville Copper	5.20	−0.04
Brambles Inds.	12.00	—
Bridge Oil	1.78	−0.02
BHP	10.95	+0.05
BHP Gold	1.75	+0.02
Burns Philp	5.80	−0.02
CRA	11.30	+0.2
CSR	4.38	+0.03
Chase Corp	4.20	+0.1
Claremont Petro	1.03	−0.02
Coles Myer	9.24	−0.12
Comalco "A"	5.10	−0.1
Consolidated Pet.	0.21	−0.01
Costain Aust.	3.90	—
Elders IXL	5.94	—
Energy Res.	2.70	—
Gen Prop Trust	3.75	−0.1
Goodman Fielder	5.20	—
Hardie (J.)	4.80	+0.1
Hartogen Energy	3.05	—
ICI Aust.	5.84	+0.14
Industrial Equity	6.80	−0.04
Jimberlana (50cFP)	0.68	+0.03
Jones (David)	14.40	+0.3
Kia Ora Gold	1.05	—
Kidston Gold	7.60	+0.1
Lend Lease	19.00	+0.4
MIM	3.45	−0.05
Mayne Nickless	6.54	−0.06
Nat. Aust. Bank	6.10	+0.06

AUSTRALIA (Continued)

Sep. 17	Price Aust$	+ or −
News	23.70	+0.2
Norgenda Pacific	4.80	—
North Bkn Hill	4.80	+0.02
Oakbridge	0.47	+0.03
Pacific Dunlop	6.00	+0.3
Pancont'l	3.80	−0.1
Pioneer Conc.	4.80	—
Placer Pacific	4.10	+0.05
Poseidon	6.90	—
Queensland Coal	1.58	—
Santos	7.26	+0.1
Smith (H.)	5.00	−0.06
Thos Natwide	7.00	+0.1
Tooth	9.00	+0.4
Vamgas	3.60	—
Western Mining	10.20	—
Westpac	7.06	−0.04
Woodside Petrol	2.20	+0.05
Woolworths	3.55	—
Wormald Intl	3.35	—

HONG KONG

Sep. 17	Price H.K.$	+ or −
Bank East Asia	31.75	−0.25
Cathy Pacific	7.85	+0.05
Cheung Kong	12.50	—
China Light	26.40	—
Evergo	0.99	—
Hang Lung	17.90	—
Hang Seng Bank	46.25	−0.25
Henderson Land	7.10	−0.15
Hong Kong China	20.50	−0.2
HK Electric	9.65	—
HK Land	8.15	−0.15
HK Shanghai Bank	10.40	—
HK Telephone	16.30	—
Hutchison Wpa	13.70	−0.2
Indust Equity P	31.50	—
Jardine Math	21.90	−0.5
New World Dev	14.30	−0.1
SHK Props	17.90	−0.3
Shell Elec. Mfg.	2.30	+0.03
Swire Pac A	25.60	−0.5
TV-B	15.80	−0.6
Wharf Hldgs	9.90	−0.1
Windsor Ind.	14.70	−0.5
World Int Hldgs	4.60	−0.1

JAPAN

Sep. 17	Price Yen	+ or −
Ajinomoto	3200	−50
All Nippon Air	2020	−40
Alps Electric	2480	−10
Asahi Chemicals	1200	—
Asahi Glass	2080	+10
Bank Tokyo	1570	−10
Bridgestone	1220	+10
Brother Inds.	678	+16
Canon	1100	−10
Casio Computers	1290	−10
Chugai Pharm	1890	—
Daiei	1630	—
Dai Ichi Kan Bank	3180	—
Dai Nippon Ink	840	−2
Dai Nippon Ptg	2100	−70
Daiwa House	1950	−20
Daiwa Sec.	3080	−10
Eisai	2180	−60
Fanuc	6410	−70
Fuji Bank	3040	−20
Fuji Film	4470	−40
Fujisawa	2120	+10
Fujitsu	1400	−40
Furukawa Elect	925	—
Green Cross	2750	−70
Heiwa Real Est	1910	−10
Hitachi	1330	−20
Hitachi Credit	1580	—
Honda	1560	−30
Indl Bank Japan	3330	−80
Ishikawajima Ha	664	+15
Isuzu Motors	453	+22
Itoh (C)	705	+3
Ito Yokado	3880	+40
JAL	15500	—
Jusco	1460	−10
Kajima	1660	−10
Kao Soap	2020	+20
Kawasaki Steel	324	+7
Kirin	2260	−30
Kobe Steel	319	+7
Komatsu	710	+2
Konishiroku	849	−6
Kubota	615	−4
Kumagai	1050	−10
Kyoto Ceramic	6630	—
Marubeni	499	−2
Marui	3120	−20
Mazda Motors	447	+3
Meiji Seika	1080	−20
MEI	2570	—
M'bishi Bank	2940	−20
M'bishi Chem	1100	—
M'bishi Corp	1210	−20
M'bishi Elec	680	−8
M'bishi Estate	2390	−40
MHI	670	+16
Mitsui Bank	2470	−50
Mitsui Co.	740	−11
Mitsui Estate	2070	−50
Mitsui Toatsu	753	+25
Mitsukoshi	1630	+10
NGK Insulators	990	−30
Nikko Sec	2230	−20
Nippon Denso	1520	−20
Nippon Elect	2140	+10
Nippon Express	1130	+20
Nippon Gakki	1860	−30
Nippon Kogaku	1190	−20
Nippon Kokan	335	+4
Nippon Oil	1350	+10

JAPAN (Continued)

Sep. 17	Price Yen	+ or −
Nippon Seiko	620	+5
Nippon Shimpan	1180	—
Nippon Steel	386	+9
Nippon Suisan	622	−3
Nippon Yusen	581	+3
Nissan Motor	786	+8
Nisshin Flour	1370	+50
Nomura	4250	−70
Olympus	1150	−20
Onoda Cement	730	−15
Orient Finance	1520	−30
Orient Leasing	3850	—
Pioneer	3230	—
Ricoh	1300	−10
Sankyo	1710	−30
Sanwa Bank	2810	−10
Sanyo Elect	536	+9
Sapporo	1810	+20
Sekisui House	1990	−10
Seven-Eleven	7940	+240
Sharp	1260	−10
Shimizu Const.	965	−4
Shionogi	1670	−30
Shiseido	2150	—
Showa Denko	709	+19
Sony	5070	—
Sumitomo Bank	3660	−10
Sumitomo Chem	927	+23
Sumitomo Corp	1000	−20
Sumitomo Elect	1770	−10
Sumitomo Metal	287	+21
Sumitomo Tr. & Bk.	3420	−90
Taisei Corp	999	−11
Taisho Marine	1090	−10
Taiyo Kobe Bank	1560	+10
Takeda	3210	+10
TDK	5050	−40
Teijin	899	+29
Toa Nenryo Kyo	1970	−10
Tokai Bank	2160	−40
Tokyo Marine	2050	—
Tokyo Elect Pwr	6090	−180
Tokyo Gas	985	−10
Tokyu Corp	1380	—
Toppan Print	1530	−20
Toray	900	+12
Toshiba Elect.	741	−3
Toyo Seikan	2600	+20
Toyota Motor	1980	−30
UBE Inds	489	−4
Victor	2840	−60
Yamaha	1060	+61
Yamaichi Sec	2220	−30
Yamanouchi	4260	−60
Yamazaki	1540	−10
Yasuda Fire	1070	−30

SINGAPORE

Sep. 17	Price $	+ or −
Boustead Hldgs	1.90	—
Cerebos Pacific	7.60	+0.05
Cold Storage	5.35	—
DBS	16.30	—
Genting	7.10	−0.2
Haw Par Bros	6.35	−0.15
Hong Leong Fin.	4.28	−0.12
Inchcape Bhd	6.55	—
Keppel Shipyard	4.12	−0.04
Malay Banking	7.85	−0.1
Malayan Utd. Ind.	2.42	−0.03
Multi Purpose	0.67	—
OCBC	9.95	—
OUB	5.45	—
Public Bank	2.72	−0.02
Sime Darby	3.30	−0.1
Singapore Air	14.30	−0.2
Singapore Press	10.80	−0.3
Straits Trading	5.45	−0.05
Tat Lee Bank	4.36	−0.02
UOB	7.50	—

SOUTH AFRICA

Sep. 17	Price Rand	+ or −
Abercom	2.80	−0.05
AE & CI	16.75	−0.25
Allied Tech.	161	—
Anglo Am Coal	37.00	—
Anglo Am Corp	88.75	−0.25
Anglo Am Gold	401.00	+1
Barclays Bank	22.50	+0.75
Barlow Rand	26	—
Buffels	73.00	−1.5
CNA Gallo	6.70	—
Currie Finance	5.50	—
De Beers	52.25	−0.25
Driefontein	89.00	−0.25
Freegold	54.25	−0.25
Gold Fields SA	95.00	—
Highveld Steel	7.40	—
Malcor Hldgs	29.25	—
Nedbank	7.35	−0.05
OK Bazaars	17.75	—
Rembrandt	14.25	—
Rust Plat	57	+0.13
Safren	33.50	—
Sage Holdings	17.25	—
SA Brewers	24.25	—
Smith (C.G.)	47.00	—
Tongaat Hulett	15.80	—

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner

CANADA

TORONTO

Prices at 2.30pm September 17

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices September 17

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total Sales 16,370,859 shares

Indices

NEW YORK—DOW JONES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STANDARD AND POORS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

N.Y.S.E. ALL COMMON

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TORONTO

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL Portfolio	1,828.82*	1,838.27	1,839.98	1,855.82	2,224.77 (18/7/87)	1,534.3 (2/1/85)

* Indicates pre-close figure

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WORLD M.S.Capital Intl. (1/1/70)	(u)	476.7	478.5	480.1	495.90 (27/8)	361.3 (2/1)

**Saturday September 12: Japan Nikkei (c). TSE (c)

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing Price	Change on day
Det Edison	3,937,000	15¼	−⅛	Exxon	2,061,600	46	−⅛
Newmont Mining	2,655,300	99⅝	−2	AT & T	1,973,300	31⅝	−½
IBM	2,384,700	156⅝	−⅜	Mattel	1,766,900	15¼	+⅛
Eastman Kodak	2,333,100	99	−⅜	Foster Wheeler	1,611,700	21½	−1⅛
Gen Electric	2,104,300	59	−¾	Ahmanson	1,608,700	20⅝	+⅛

LONDON – Most Active Stocks
Thursday, September 17, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Gas	10.90m	176	+3	Rolls Royce	8.40m	281½	+3½
Guinness	10.80m	357	−8	Dee Corp	6.90m	288	−1
Plessey	10.60m	288½	+½	Brit Telecom	6.60m	268	+½
BP	9.95m	374	+10	ASDA-MFI	6.40m	285	+3
Brit Airways	9.55m	205	+6	Trafalgar House	6.10m	384	+12

TOKYO – Most Active Stocks
Thursday, September 17, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nippon Steel	233.72m	386	+9	Nippon Kokan	36.74m	335	+4
Sumitomo Metal	135.78m	287	+21	Kawasaki Steel	34.79m	324	+7
Mitsubishi Heavy Ind	109.77m	670	+16	Kobe Steel	34.13m	319	+7
Toshiba	57.98m	741	+3	Hitachi Ltd	19.58m	1,338	−20
Mitsubishi Elec	42.43m	680	−8	Nisshin Steel	16.67m	626	+36

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 47

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

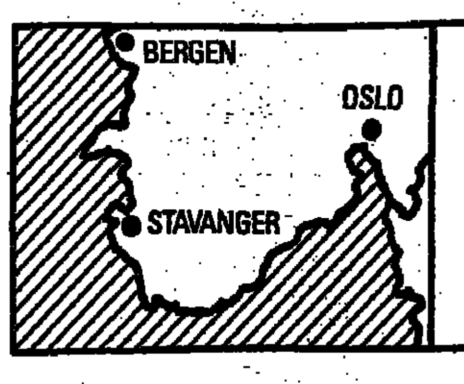
LONDON Chief price changes (in pence unless otherwise indicated)

RISES:

Tr 13½pc 2004–08	£127⅞	+1⁵⁄₃₂
Barratt Dev	232	+15
Berisford (S&W)	365	+7
BP	374	+10
Britoil	321	+10
Buckley's Brewery	203	+20
Cowan de Groot	98	+15
Enterprise Oil	336	+13
Foseco Minsep	309	+8
Hill Samuel	664	+7
Intl City Hldgs	284	+13
Legal & General	349	+22
Mersey Dock Units	415	+70
Midland Bank	518	+9
RMC	471	+12
Rothmans	438	+12
Tate & Lyle	898	+20
Titaghur Jute	230	+60
Wills Group	213	+27
Wimpey (Geo)	277	+8½

FALLS:

Aspinall Hldgs	178	−7
Reckitt & Colman	£10⅝	−¼



NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 47

NYSE COMPOSITE CLOSING PRICES

Continued from Page 46

X Y Z

85	51	Xerox	3	3.8	16	4686	79¾	78⅛	79¼	+¾
55¼	53⅜	Xerox pf5.45		10.		24	54	53⅝	54	+¼
31½	21½	XTRA	.64	2.2	23	289	29	28⅝	29	+⅛
32⅛	15	Yorkln			16	167	u32½	32⅛	32½	+⅜
7¼	2¼	Zapata				389	6¼	5⅞	5⅞	−⅛
32⅞	20¾	Zayre	.40	1.3	11	4894	30	29¼	29¾	
14¾	9¾	Zemex	.40	2.9	9	14	13⅞	13⅝	13⅝	
33⅝	16⅞	ZenithE			107	4017	27⅞	26⅛	26⅝	−1⅜
15½	6⅛	ZenLab				777	7¾	7½	7½	−⅛
26½	18¾	ZenNat	.80	3.7	13	72	22	21¾	21¾	−½
20⅜	12⅝	Zero	.36	1.9	19	64	18⅞	18½	18⅞	+⅝
30¾	17½	Zurnin s .88		2.8	18	153	28½	28	28	−½
10⅝	8¾	Zweig n.85e		6.3		718	10¼	10⅛	10¼	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 45

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Sporadic buying fails to stall downward drift

WALL STREET

BUYING interest remained sporadic and nervous on Wall Street yesterday as initial strength gave way more than once to downward pressure and stock prices settled narrowly easier, *writes Gordon Cramb in New York.*

The Dow Jones industrial average finished 2.29 down at 2,527.90. In slower volume of 151.3m shares against 195.7m, the NYSE composite index was a bare 0.03 easier at 176.48 as declines led advances 819 to 682.

Fund managers in particular were said largely to be sitting out the oscillations until a trend could be established more clearly. Credit markets showed a modest improvement but there top demand was subdued.

A weight of corporate debt issues, totalling about $3bn so far this week, has at the same time been unleashed by company treasurers apparently convinced that interest rates were heading higher.

The Detroit car makers meanwhile responded to the tentative wage deal. Ford, the pact at which will be the industry benchmark, gained $¾ to $106 after trading $2 higher and Chrysler put on $1 to $43¼ as its strike in Canada drew to an end.

General Motors, however, was $¼ weaker at $87¼ – it is the least able to afford any elements of generosity in the settlement. The sector received additional cheer, though, from news that part of Honda's expanded US production will be channened back to Japan.

Brockway, a glass and plastic container maker, surged $19⅛ to $58⅜ as a surprise $60 a share bid emerged from Owens-Illinois, which had been previously taken private through Kohlberg Kravis. Kerr Glass Manufacturing benefited from thoughts of a sectoral rerating, rising $1½ to $14½.

Associate companies of Brockway also showed strength. The 45 per cent-owned Curtiss Wright advanced $2⅜ to $67½ and Teledyne, which owns 21 per cent of Brockway, jumped $11⅜ to $369½. Litton Industries, in which Teledyne owns nearly 28 per cent, put on $3⅛ to $101⅞.

Also in this defence and aerospace group of stocks, Singer shed $2¼ to $53 as speculation dwindled of a takeover from candidates including Hercules, itself $⅜ easier at $61⅞.

Elsewhere G. Heileman, the Wisconsin brewer, advanced $1⅜ to $41⅞ after a rejection of Mr Alan Bond's $38 per share takeover offer couched in terms which left the way open to a further approach. The state legislature was also moving meanwhile to tighten protection for companies incorporated there.

Coca-Cola added $⅜ to $47⅞ after additional moves to re-organise Columbia Pictures. Tri-Star Pictures, into which most of the entertainment side is being injected, held at $13¾ after its recent run-up.

Mattel, the toy maker, lost $½ of its gain this week at $14⅞ following its denial of knowledge of factors that might move the share price, other than good demand for its latest product, called Certain Power. New World Entertainment, which had been named as a possible suitor, was up $¼ to $8⅜.

Sara Lee added $⅝ to $44⅜ after the foods group said it was talking to Akzo about buying the Dutch company's consumer side for $600m and was selling its own Electrolux division. The prospective deals were judged favourably, and Moody's affirmed its debt ratings for Sara Lee. Pillsbury, also in consumer foods, picked up $⅛ to $43⅞ on its higher first-quarter results.

In over-the-counter trading Henley Group, an industrial products maker, gained $1 to $30⅝ once the board authorised the purchase of up to 28m shares, around a fifth of its current equity.

Among the money centre banks nearly 5.3m units of Citicorp changed hands after its 20m share issue, and the price dipped $¾ to $57⅞. Of the others to have issued shares in the latest round of capital strengthening, Manufacturers Hanover at $38¼ was down $¾ and Bankers Trust firmed $⅛ to $46.

Credit markets were buoyed by the provision of four and seven-day system repurchases from the Federal Reserve in its efforts to even out reserve positions. Fed funds as a result came down to 7 1/16 per cent from an opening 7⅛.

Some short rates firmed, with the three-month Treasury bills three basis points higher and yielding 6.55 per cent, in part reflecting the pending Treasury note issues in its planned refunding. But at the long end, the 8¾ bond of 2017 added [illegible] in price to 92 [illegible] where it yielded 9.60 per cent.

CANADA

FALLING blue chips depressed Toronto share prices despite generally stronger gold issues.

Among the falling heavyweights, Bell Canada drifted off C$½ to C$38½ and Canadian Pacific fell C$⅛ to C$26⅞. Energy issues were mixed, with Gulf Canada dropping C$⅛ to C$24⅛ and Imperial Oil class A off by C$⅝ to C$78⅜, but Texaco Canada C$⅜ higher at C$34.

Banks were also mixed. Royal Bank was up C$¼ at C$33¼ and Toronto Dominion up C$⅜ at C$33¼ while Bank of Montreal slipped C$⅛ to C$32.

In generally firmer golds, however, Placer Dome climbed C$⅜ to C$26½ and Hemlo Gold added C$⅛ to C$24⅜. Lac Minerals was C$⅛ stronger at C$16¼.

Montreal fell slightly, while Vancouver edged higher.

Worries over tax send Indian markets tumbling

INDIA'S share markets have nose-dived in the past week in a sharp reaction to a Rs21bn ($1.6bn) drought relief package unveiled by Finance Minister Narayan Dutt Tiwari on Tuesday.

Mr Tiwari aims to raise an extra RS10bn from income tax, fuelling speculation that corporation tax may also be increased.

The Bombay stock exchange 30-share index has plunged 21 points so far this week to 463.62, to the surprise of analysts who had expected a rally on Monday after the start of the new fortnightly trading period on Friday.

The Indian markets have been rudderless, making occasional feeble attempts at a rally, since late August when the All-India share index of the Economic Times, India's main business newspaper, touched a year's peak of 276.3. Share prices have fallen some six per cent in three weeks, but the ET index at 260 is still 10 per cent higher than a year ago.

Some investors, mainly government-owned investment institutions, have been optimistic that the country will tide over the worst drought in several decades, but there are as many bears on the market.

Unit Trust of India, in its report to India International Fund investors, says the diversion of resources from developmental programmes to relief work will affect demand for agricultural products and investment-oriented industries like cement and steel. But UTI feels the scope for expanding demand in India is unlimited, provided prices are affordable.

The UTI has managed the London-listed India Fund skilfully to lift its net asset value by 25.5 per cent in rupee terms. The £1 ($1.65) unit of the India Fund, which had been quoted below par over the past year, surged to an all-time high of 117p last week in London but has since fallen.

Investors appear to take a favourable medium to long-term view. Several new issues of equity have evoked an overwhelming response.

The public offer by Hoganas India, a subsidiary of a Swedish company, was subscribed 85 times, and that of Garden Silk Mills, a textile conglomerate, by 20 times.

Investments in UTI units passed Rs50bn last month, indicating that investors are turning to unit trusts rather than buying straight into the secondary market because they feel the trusts are more secure.

Three more mutual funds for a combined Rs3bn are to be launched before the end of the year and UTI fears there will soon be a shortage of scrip.

The bears in the market take a more short-term view, concerned that India faces economic problems such as inflation as well as possible political instability as a result of the recent corruption scandals.

R.C. Murthy

EUROPE

Blue chips unsettled by dollar uncertainty

THE FURTHER overnight fall on Wall Street stalled the larger European bourses as the dollar's vacillations weighed heavily.

Frankfurt fell again after an early rally failed to win institutional support. The effect of a slight rise in the dollar was countered by concern over the further steep overnight fall on Wall Street.

Blue chips continued to take a battering, with car stocks Daimler and BMW DM10 and DM6 off at DM1,078 and DM741, respectively. VW, though, managed a DM2 rise to DM399.

Leading banks also tended to soften. Deutsche was DM2.50 off at DM694.50 and Commerzbank DM1 down at DM303.50.

Karstadt gave up recent form with a DM2.80 dip to DM579.20 and fellow retailer Horten lost another 50 pfg to DM235. Asko, though, dived DM50 to DM905 as the market frowned on its 1-for-1 rights issue.

In electricals, Siemens shed another DM5 to DM656, but AEG made up DM3 to DM340. It reported a 5 per cent rise in sales over the first eight months of the year.

Most chemicals were little changed, although Henkel advanced DM8.50 to DM588.50 after saying on Wednesday that Colgate Palmolive is to buy a 50 per cent stake in its recently bought subsidiary Lesieur Cotelle.

Elsewhere, sportswear maker Puma rebounded DM25 to DM375.

Zurich finished mixed as foreign investor sales in the light of weakness on Wall Street was offset by domestic buying.

Banks retreated, Union Bank by SFr50 to SFr4,875, Crédit Suisse by SFr10 to SFr3,390 and Bank Corporation by SFr2 to SFr498. Swiss R 'starred among mixed insurers with a SFr50 gain to SFr17,850.

LONDON

FURTHER positive economic signals spurred institutional investors in London yesterday to alter their investment decisions from neutral to bullish. The FT-SE 100 index pierced the 2,300 level for the first time since August 5, closing up 24.7 at 2,304.5, and the FT Ordinary was 21.8 higher at 1,812.0.

Government bonds also responded strongly to the second-quarter current account deficit figures, with gains of up to 1½ points, Details, Page 42.

Nestlé dipped SFr50 to SFr11,000 in foods. Engineers were mixed, retailers slightly higher.

Brussels closed down but off the day's lows following a late rally. The cash market index lost 22 to close at 5,120.34.

Holdings lost ground, Réserve dipping BFr35 in heavy trade to BFr3,705. Sofina and GBL were off BFr250 and BFr40, respectively, at BFr14,850 and BFr4,010.

Petrofina ran out of momentum and lost BFr75 to BFr13,075. Among mixed banks, Générale de Banque managed to climb BFr90 to BFr8,350 and Banque Bruxelles Lambert BFr25 to BFr3,275.

Paris edged higher on largely domestic trade.

Legrand bounded ahead, up FFr115 to FFr3,335 on the tail of a 35 per cent rise in first-half profits. Other electronics responded and Alcatel added FFr70 to FFr2,450 and Radiotechnique gained FFr63 to FFr1,738.

Vallourec also featured, with a FFr6.40 jump to FFr70.

Amsterdam eased as dollar doubts were compounded by worries over Dutch economic growth. The CBS all-share index was off 1.4 at 101.5.

Akzo dipped Fl 1.50 to Fl 176 but found late support on news that it planned to sell its consumer products units to US group Sara Lee.

Royal Dutch was sole riser among internationals, posting Fl 1.10 to Fl 259.50.

Milan continued to rally in busy trade as dealers reported renewed confidence among foreign investors following the measures taken to stabilise the lira.

Fiat gained L105 to L10,460 and Olivetti L350 to L11,550. Pirelli added L111 to L4,348 following Wednesday's news of higher 1986 profits.

Oslo jumped to a fresh record on a cocktail of good corporate news, a strong oil price and foreign buying. The all-share index rose 8.89 to 429.82.

Oils and ships flourished, as did industrials, led by a NKr27 rise for Hafslund to NKr656 on news of Japanese approval for sale of a medicinal product.

Madrid also moved to a second successive record, buoyed by optimism over inflation figures to be released today.

The all-share index was 1.65 higher at 321.26.

Helsinki hit its fifth straight all-time high, with the Unitas all-share index 6.6 up at 648.4. Banks and insurers led the way.

Stockholm dipped prior to the weekend congress of the ruling Social Democratic Party. The Veckans Affarer all-share index lost 12.4 to 1,157.7.

SOUTH AFRICA

A LATE rally on the back of the firmer bullion price failed to save Johannesburg gold shares from closing lower in a soft market.

Kinross was among the lower golds, down R2 at R83, while Vaal Reefs gave up R2 to R446 and Freegold 25 cents to R54.25. Randfontein was steady at R430.

Mining financials followed the downward trend, Anglo losing 25 cents to R88.75 and Gencor falling 50 cents to R73. Diamond stock De Beers was 25 cents off at R52.25.

Platinums brightened, however, with a rise in the metal's price. Rustenburg and Lefkochrysos were each 25 cents up at R57 and R20.25 respectively.

Sasol again featured among steady industrials with a 40 cent rise to R14.

ASIA

Steels remain sturdy amid broader decline

TOKYO

HEAVY TRADE in Nippon Steel and other steelmakers pushed the sector higher in Tokyo yesterday, but small-lot selling elsewhere led the market slightly lower, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average fell 112.42 to 24,855.31. Turnover, however, expanded from Wednesday's 821.64m shares to 1.20bn, reflecting active trade in large-capitalisation issues. The 10 most active stocks accounted for 60 per cent of the day's total transactions. Losses led gains 574 to 332, with 134 issues unchanged.

The Tokyo Stock Exchange halted trading several times as investors poured in massive buy orders for large-capitals. A sharp 5 per cent increase in Japan's crude steel production in August gave a particular boost to big-capital steels.

Nippon Steel was busiest with 233.72m shares traded, adding Y9 to Y386, while Sumitomo Metal Industries jumped Y21 to Y287 on the second biggest trade of 135.78m. Nippon Kokan, Kawasaki Steel and Kobe Steel also made the active list, closing Y4 up at Y335, Y7 higher at Y324 and Y7 up at Y319, respectively.

Mitsubishi Heavy Industries was the third busiest issue with 109.77m shared traded, climbing Y16 to Y670.

Large-capital chemicals and textiles scored sharp gains, with Sumitomo Chemical jumping Y23 to Y927, Ishihara Sangyo Y19 to Y824 and Mitsui Toatsu Chemicals Y25 to Y753. Toray rose Y12 to Y900.

Elsewhere, Nisshin Steel advanced Y36 to Y620 and Niigata Engineering Y42 to Y380. Yamaha motor was Y61 up at Y1,060.

However, high-tech stocks and many other issues dipped. TOK lost Y40 to Y5,050 and Victor Co of Japan (JVC) Y60 to Y2,840. But Sony and Matsushita Electric Industrial finished unchanged at Y5,070 and Y2,570, respectively, while NEC gained Y10 to Y2,140.

Buying spread to heavy electricals but they failed to retain their morning strength. Toshiba, on trade of 57.60m shares, soared Y13 at one point, but finished Y3 lower than Wednesday at Y741 under profit-taking. Mitsubishi Electric fell Y8 to Y680 and Hitachi Y20 to Y1,330.

The bond market moved little in the absence of fresh market signals and the approach of the end of the October-September business year for securities houses and other businesses.

The December contract of government bond futures turned up to Y100.49, recovering par, helping to firm bond prices on the cash market. The yield on the 5.1 per cent government bond due in June 1996 declined from Wednesday's 5.455 per cent to 5.380 per cent, but finished at 5.420 per cent.

AUSTRALIA

THE BUOYANT post-budget mood in Sydney pushed share prices to another record with industrials still leading the way, although gains were not as large as on Wednesday after a bout of morning profit-taking.

The All Ordinaries index ended 9.5 higher at 2,284.0 in heavy national turnover of 213m shares, slightly down on the previous session.

Among industrials which have reported higher profits, Australian National Industries jumped 22 cents to A$2.92, Pacific Dunlop was up a further 30 cents at A$6, and Lend Lease gained 40 cents to A$19 after its A$1.20 leap on Wednesday.

HONG KONG

RUMOURS of further rights issues continued to swirl around the Hong Kong market, pushing prices down sharply again in the wake of the Cheung Kong group's fund-raising exercise.

The Hang Seng index ended 33.28 lower at 3,571.36 in active trading worth HK$2.25bn, down from HK$3.34bn on Wednesday, as foreign investors tended to leave the stage clear for local institutions.

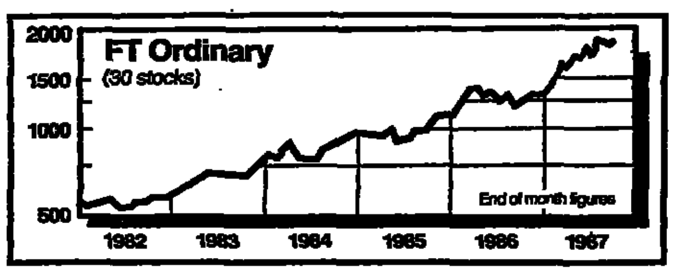
Funds were still being switched out of the Cheung Kong group, with Cheung Kong itself off 10 cents at HK$12.50, Hutchison Whampoa down 20 cents at HK$13.70 and Cavendish 10 cents lower at HK$5.

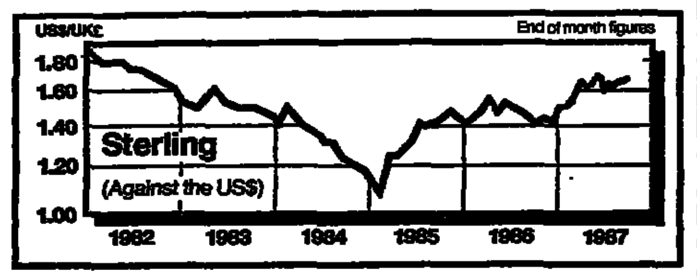
SINGAPORE

BLUE CHIPS were again the worst hit in another declining session in Singapore which left the Straits Times industrial index 19.80 lower at 1,414.60 amid expectations of imminent corporate fund-raising and flotations.

In slightly higher volume, Fraser and Neave lost 50 cents to S$13.30, Singapore Press was 30 cents lower at S$10.80 and Genting shed 20 cents to S$7.10.

KEY MARKET MONITORS





STOCK MARKET INDICES

	Sept 17	Prev	Year ago
NEW YORK			
DJ Industrials	2,525.82*	2,530.19	1,769.40
DJ Transport	1,020.81*	1,024.76	766.25
DJ Utilities	194.64*	195.71	200.65
S&P Comp.	314.77*	319.21	231.68
LONDON FT			
Ord	1,812.0	1,790.2	1,279.26
SE 100	2,304.5	2,279.8	1,610.40
A All-share	1,176.85	1,165.19	796.65
A 500	1,289.18	1,276.77	875.80
Gold mines	442.7	447.2	317.2
A Long gilt	9.87	10.02	10.04
World Act. Ind (Sept 18)	134.16	134.67	94.70
TOKYO			
Nikkei	24,855.31	24,967.73	17,336.6
Tokyo SE	2,051.22	2,061.71	1,433.48
AUSTRALIA			
All Ord.	2,284.0	2,274.5	1,214.2
Metals & Mins.	1,431.1	1,430.8	608.0
AUSTRIA			
Credit Aktien	219.48	218.33	238.35
BELGIAN SE			
SE	5,120.30	5,142.40	3,928.88
CANADA			
Toronto			
Met.& Mns.	3,218.6*	3,216.5	2,157.54
Composite	3,895.5*	3,908.4	2,991.3
Montreal			
Portfolio	1,929.62*	1,936.27	1,507.01
DENMARK SE			
SE	n/a	203.49	196.65
FRANCE			
CAC Gen	425.80	426.00	377.9
Ind. Tendance	111.00	110.30	90.45
WEST GERMANY			
FAZ-Aktien	646.13	644.43	660.51
Commerzbank	1,986.40	1,983.30	1,992.4
HONG KONG Hang Seng	3,571.36	3,604.64	1,921.99
ITALY Banca Comm.	613.50	601.96	757.86
NETHERLANDS ANP CBS			
Gen	n/a	n/a	282.5
Ind	n/a	n/a	285.8
NORWAY Oslo SE	573.64	563.45	373.91
SINGAPORE Straits Times	1,414.60	1,434.20	817.55
SOUTH AFRICA JSE			
Golds	—	2,285.0	1,980.0
Industrials	—	2,204.0	1,375.0
SPAIN Madrid SE	321.26	319.61	192.60
SWEDEN J & P	3,094.90	3,129.20	2,482.58
SWITZERLAND Swiss Bank Ind	701.80	702.30	551.6

COMMODITIES (London)

	Sept 17	Prev
Silver (spot fixing)	456.65p	463.35p
Copper (cash)	£1,122.00	£1,092.50
Coffee (Sept)	£1,277.50	£1,272.50
Oil (Brent Blend)	$18.445	$18.60

GOLD ($/oz)

	Sept 17	Prev
London	$460.50	$458.50
Zürich	$460.25	$458.55
Paris (fixing)	$456.75	$457.96
Luxembourg	$459.75	$459.75
New York (Dec)	$466.90	$465.10

CURRENCIES (London)

	US DOLLAR Sept 17	US DOLLAR Previous	STERLING Sept 17	STERLING Previous
$	–	–	1.6465	1.6455
DM	1.8160	1.8155	2.9850	2.9875
Yen	143.35	144.35	236.00	237.50
FFr	6.0550	6.0525	9.9700	9.9600
SFr	1.5055	1.5055	2.4775	2.4775
Fl	2.0425	2.0425	3.3625	3.3600
Lira	1,311	1,309	2,158.5	2,154
BFr	37.65	37.65	62.00	61.94
C$	1.3155	1.3180	2.1665	2.1705

INTEREST RATES

	Sept 17	Prev
Euro-currencies (3-month offered rate)		
£	9 11/16	9 11/16
SFr	3 11/16	3⅝
DM	4	3 15/16
FFr	8	7 15/16
FT London Interbank fixing (offered rate)		
3-month US$	7 11/16	7⅝
6-month US$	8⅛	8⅛
US Fed Funds	7*	7⅛
US3-month CDs	7.30*	7.25
US3-month T-bills	6.37*	6.325

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept 17 (Sept)	83-09	83-20	82-28	82-28
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	93.62	93.65	93.58	93.59
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	n/a	n/a	n/a	93.98
LONDON				
Three-month Eurodollar $1m points of 100%				
(Dec)	91.63	91.69	91.59	91.53
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	115-14	115-03	114-24	113-29

US BONDS

Treasury

	September 17 Price	September 17 Yield	Prev Price	Prev Yield
7¼ 1989	99	8.31	98 31/32	8.329
7 1994	93 25/32	9.26	93 18/32	9.317
8½ 1997	94 11/32	9.48	94 1/32	9.517
8¾ 2017	92 1/32	9.66	92	9.698

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	September 17 Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.66	–0.03
1–3	144.03	+0.07	6.37	–0.03
3–5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	September 16 Price	September 16 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	92	7.10	92	7.10
SCBT South Central 10⅞ Jan 1993	100.875	10.66	100.875	10.66
Phibro Sal 8 April 1996	88.35	10.45	88.35	10.45
TRW 8⅞ March 1996	91.65	10.25	91.65	10.25
Arco 9⅞ March 2016	92.67	10.70	92.67	10.70
General Motors 8⅝ April 2016	77.14	10.70	77.14	10.70
Citicorp 9⅝ March 2016	84.43	11.20	84.43	11.20

Source: Salomon Brothers

* Latest available figures